

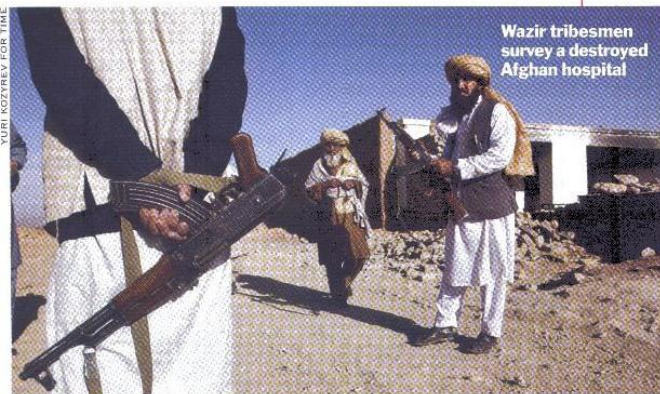
N O T E B O O K

A TRUCE ON TERROR

A PAKISTANI GENERAL helicoptered into a village in the Pakistani mountains of Waziristan last weekend to meet with a stubborn enemy. Lieut. General Safdar Hussain came to sign a truce with Nek Mohammed, a tribal leader whose pro-al-Qaeda fighters had eluded capture for more than six weeks and had killed about 80 of the general's men. The Pakistani army agreed to halt its operation against Mo-

tory. Mohammed is a former Taliban commander who still swears loyalty to fugitive leader Mullah Omar and was earlier accused by the Pakistani government of giving shelter to al-Qaeda fighters, possibly including Osama bin Laden. It was in this area that Pakistani troops last month mistakenly thought they had cornered bin Laden's deputy, Ayman al-Zawahiri.

A Pakistani army spokesman said operations were halted because they had succeeded in "smashing" terrorist bases.



Wazir tribesmen survey a destroyed Afghan hospital

ammed's militants, repay Wazir tribesmen for war damages and set free most of the 160 suspected al-Qaeda supporters captured. The tribesmen were also allowed to keep their weapons. In exchange, Mohammed and his clan promised to refrain from attacks on Pakistani forces and the U.S. troops in nearby Afghanistan. Gleeful rebel tribesmen accepted the easy terms—and then treated Hussain to a meal of rice and slaughtered sheep.

The truce, however, could be a severe setback for the Bush Administration, which has been leaning on Pakistan to carry out a clean sweep of al-Qaeda and the Taliban from the tribal terri-

But no senior al-Qaeda or Taliban member was caught. A Pakistani official who brokered the truce says the deal included a guarantee from tribal leaders that "non-Pakistanis"—Arabs, Chechens and Uzbeks—would no longer cross over to ambush U.S. troops in Afghanistan. But local officials in Waziristan say that promise is impossible to enforce. What's more, the truce raises doubts about the resolve of the Pakistanis in the effort to root out al-Qaeda fugitives from the tribal areas. Said a U.S. military spokesman in Kabul: "At the end of the day, we expect Pakistani action there." —**By Tim McGirk and Ghulam Hasnain**

44 V E R B A T I M

"... The whole world should have said, 'Thank you, Ariel.' Now we have a chance to begin the construction of a peaceful Palestinian state."

PRESIDENT BUSH, in an address to American journalists, on his support for the Israeli Prime Minister's plan to annex parts of the Palestinian West Bank in return for withdrawal from the Gaza Strip

"I told him, 'In our first meeting three years ago I accepted your request not to physically harm Arafat... [That] commitment does not stand anymore.'"

ARIEL SHARON, Israeli Prime Minister, recounting what he told President Bush at their recent meeting in Washington regarding an earlier pledge not to harm Palestinian leader Yasser Arafat; the State Department said Bush had reiterated to Sharon his opposition to the assassination of Arafat

"The family has it. I don't have it."

SENATOR JOHN KERRY, who had said he doesn't own an SUV, responding to a reporter's question about the Chevrolet Suburban he has been seen riding in—which he says belongs to his wife

"It seems rather contrary to an idea of a Constitution with three branches that the executive would be free to do whatever they want, without a check."

STEPHEN BREYER, Supreme Court Justice, during arguments on whether foreign detainees held in Guantánamo Bay should be allowed to challenge their detention in U.S. courts

"Prurient, crass and insensitive."

CHESTER STERN, spokesperson for Mohammed al Fayed, on CBS's decision to broadcast photographs from the car crash that killed Princess Diana and al Fayed's son Dodi in 1997

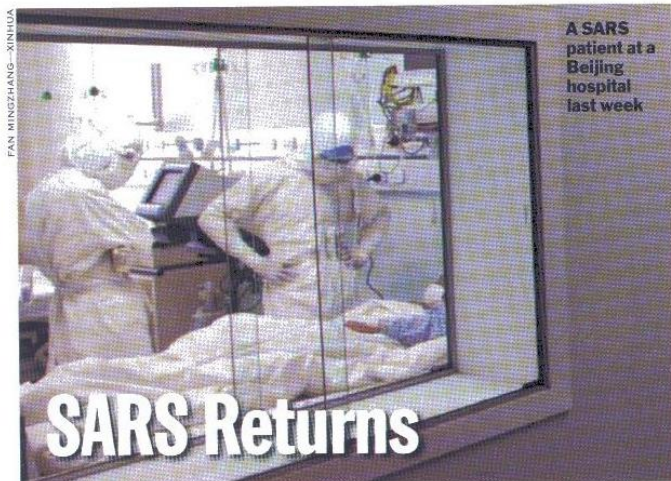
"How do you fancy being taken over by a bunch of f___ing Nazis?"

RICHARD DESMOND, British owner of the Daily Express, at a meeting with executives of the Daily Telegraph—for which Germany's Axel Springer group has outbid him. Desmond gave Nazi salutes and sang "Deutschland über alles" as he exited

"Yes, physical fitness."

RALPH NADER, presidential candidate, when asked if he saw any redeeming qualities in President Bush's administration

Sources: Washington Times; CNN.com; New York Post; New York Times; New York Daily News; BBC; Hartford Courant



FAN MINGZHANG—XINHUA

A SARS patient at a Beijing hospital last week

SARS Returns

PART OF WHAT MADE LAST year's outbreak of SARS so scary—and helped the deadly respiratory illness infect more than 8,000 people worldwide—was lack of information. Today, researchers are closer to solving the mysteries of the disease's transmission: a new study

in the *New England Journal of Medicine* suggests the virus may spread more easily through the air than first thought. Sadly, there are now some new cases to help test that thesis. Beijing health officials announced four new SARS infections on the mainland last week, one of

which has resulted in death. Unlike last year, China's Ministry of Health promptly shared information on the cases with the World Health Organization (WHO) and the media. But worrying questions remain.

According to a report on the Ministry's website, the first confirmed case is a 26-year-old graduate student surnamed Song who worked in a SARS virology lab in Beijing's China Centers for Disease Control in late March, then returned to her native Anhui province. On March 25 she developed flu-like symptoms and returned by train to Beijing, where she was treated for viral pneumonia. Still sick, she boarded a train to Anhui on April 2 to receive treatment there. On April 8, her mother,

who had been caring for her, developed pneumonia—yet it wasn't until the mother died on April 19 that Anhui activated its anti-SARS warning systems. Since then, both a nurse who treated the student in Beijing and a co-worker from the lab have been identified as probable cases.

Why did doctors let Song move freely? "The development of SARS conditions, including pneumonia, in a 26-year-old who had just finished working in a lab that does SARS testing should have been a very big red flag," says Dr. Henry Niman of Harvard Medical School. By Saturday, some 300 contacts of the four patients had been placed under observation, surveillance measures beefed up and Song's lab quarantined. Dr. Julie Hall, who heads WHO's China SARS team, says the Ministry of Health is trying to figure out "why no one sounded the alarm bells sooner."

—By Susan Jakes. With reporting by Bryan Walsh

A Power Play in Hamas



KHALED AL-HARIRI—REUTERS

Israel's assassination of Abdel Aziz Rantisi, Hamas' leader in Gaza, has thrown the chiefs of the Islamic movement into a panic. Coming less than a month after Israel eliminated Hamas founder Sheik Ahmed Yassin, Rantisi's killing forced underground Gaza's political leaders. It also dangerously deepened fissures between the group's military and political factions. Senior Hamas sources in Gaza say that fighters in its military wing,

Fund raiser Meshaal Izzedine al-Qassam, want to strike at Israel quickly to avenge Rantisi's death and send a signal to the Bush Administration. They are outraged that President George W. Bush endorsed Israeli Prime Minister Ariel Sharon's plan to keep parts of the occupied West Bank forever and told Palestinian refugees from what is now Israel that they should expect never to return there. And the fighters fear that the political leaders who survive are less committed than Rantisi was to attacking Israel.

The military arm's new independence was signaled last week when its chief, Mohammed Deif, had his cadre launch an unsanctioned missile barrage at Gaza settlements. Hamas leaders tell TIME that Deif, who lost an eye in a 2002 Israeli assassination attempt, will now look increasingly to powerful Hamas moneyman Khaled Meshaal for instructions and financial support. The group's chief fund raiser, who splits his time between Qatar and Syria, has become more assertive. When political leaders in



HAZEN BADER—AFP/GETTY IMAGES

Hamas backers mourn Rantisi, right in poster, and Yassin, left

Gaza were about to select a moderate new chief, he ordered a delay. But Meshaal could in some ways be a moderating influence. He is resisting pressure from some Gaza fighters who want to strike U.S. interests in the Middle East. Meshaal is said to fear that such attacks would anger supporters in the Gulf who bankroll Hamas clinics and youth clubs but don't want to be seen as backing strikes on the U.S. Hamas sources tell TIME that some local leaders are threatening to join with malcontents from Palestinian leader Yasser Arafat's Fatah faction to form splinter terrorist cells that could go after U.S. targets. As the top power in Hamas, Meshaal will have to decide how to deal with the hotheads.

—By Matt Rees and Jamil Hamad

BLOOD ON THE TRACKS

ON HIS INFREQUENT TRIPS TO friendly capitals—basically Moscow and Beijing—North Korean leader Kim Jong Il rides in a luxurious private train. Last Wednesday, Kim wound up a clandestine visit to Beijing and boarded his train for Pyongyang. It traveled east and crossed the North Korean border and passed through the city of Ryongchon.

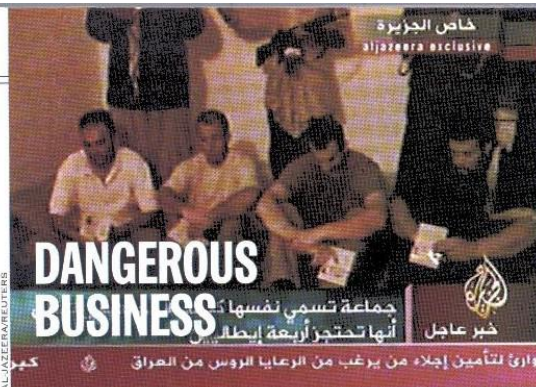


Rescuers sift through rubble in Ryongchon

Nine hours later, something sparked a cataclysmic explosion at Ryongchon's station, killing 154 people, including 76 school children, and injuring more than 1,000. South Korea's official news agency said that a state of emergency had been declared around Ryongchon and that North Korea had cut phone links from the area.

Foreign aid workers arriving from Pyongyang described parts of Ryongchon as "obliterated." The train station in the center of town had collapsed, as had other buildings, including a nearby school. Those in the immediate vicinity "looked as if a fireball had gone through," said John Sparrow, a Beijing spokesman for the Red Cross. China's Xinhua News Agency, quoting the North Korean in charge of the rescue efforts, Jang Song-gun, said the disaster occurred because an electrical pole was "knocked down after an oil tanker collided with two carriages loaded with ammonium nitrate." —By Anthony Spaeth.

Reported by Matt Forney and Donald Macintyre



DANGEROUS BUSINESS

You too are parents and can understand our anxiety. Spare the lives of our boys." Antonella Agliana beamed these words to Iraq via al-Jazeera, hoping to elicit sympathy from the insurgents who held three Italian hostages, including her brother Maurizio. Three days before, word of a different videotape, which al-Jazeera declined to air, had galvanized Italy. It showed a fourth captive, Fabrizio Quattrocchi, calmly saying, "I'll show you how an Italian dies," before taking a bullet in the neck. Iraq's continuing turmoil has been boosting antiwar feeling in Italy, but last week, public solidarity with Agliana and

but said he understood the men were still alive. About 50 foreigners have been kidnapped in Iraq in the past month, as insurgents try to scare away contractors, aid workers and other civilians vital to reconstruction. There's no fixed pattern in how the captives are treated. A Swiss couple was released unharmed last week, but a Danish abductee was confirmed dead. Five unharmed Japanese hostages found their roughest ride came back in Tokyo: they were castigated for "selfishly" ignoring government travel warnings and causing trouble for others.

—By J.F.O. McAllister. With reporting by Jeff Israely

Following the Money

UNITED NATIONS Secretary General Kofi Annan launched an independent inquiry into allegations of corruption relating to the U.N.'s Iraq oil-for-food program. The panel is to investigate claims that top U.N. officials were among those involved in defrauding the \$67 billion program.

Terror Alert

BRITAIN In raids in northern and central England, police arrested 10 people of North African and Iraqi Kurd origin on suspicion of terrorism. Authorities refused to comment on reports that the 10 were planning a bomb attack on soccer club Manchester United's stadium, but stepped up security at the ground.

First Week

SPAIN Just days after taking office, new PM José Luis Rodríguez Zapatero arrived in Casablanca for discussions on terrorism and illegal immigration with his Moroccan counterpart, Driss Jettou. "This visit is much more significant than just going to eat a bowl of couscous," Spain's new director general of communications, Javier Valenzuela, told TIME. "We want to show the world that Mo-

rocco, an Islamic nation, and Spain, a Christian one, are united in the fight against terrorism."

Lost Opportunity

CYPRUS Greek Cypriots ignored the pleas of the E.U., the U.N. and the U.S. and voted by a margin of three to one to reject a U.N. plan that would have reunited the divided island after 30 years of armed standoff. Turkish Cypriots backed the plan. Ankara announced that Turkish troops will now stay on the island indefinitely and called for international recognition for Turkish Cyprus as a separate state. Some Greek Cypriots voted against the plan because they feared investment in the less developed north would lure tourists away from their side of the island.

The Big Thaw

LIBYA The U.S. eased economic sanctions against Muammar Gaddafi's regime, allowing a resumption of oil imports to the U.S. and most commercial activities. Gaddafi has pledged to end his WMD program.

Small Steps to Peace

SUDAN After delays, peace talks between the government and rebels involved in the civil war in the western Darfur region got under way in neighboring Chad, as a U.N. delegation arrived in Darfur to investigate reports of government-sponsored atrocities.



MEANWHILE IN BRITAIN ... No, Dahling

The English National Opera has banned its employees from using

the traditional showbiz greeting "darling" because it might constitute sexual harassment. New guidelines on workplace protocol also outlaw suggestive remarks or lewd conduct. But old-school thespians need not despair; so far, at least, "luvvie" and "sweetie" have escaped censure.

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NUMBERS



15% Percentage drop in GDP per capita in sub-Saharan Africa between 1981 and 2001

91% Percentage increase in the number of people living on less than \$1 a day in the region during the same period

25 Average height difference in cm between a 14-year-old boy in North Korea and his taller South Korean peer; a result of the devastating famine in the North in the mid-'90s

42% Percentage of North Koreans found to be stunted as a result of malnutrition

55% Percentage of freshmen at the U.S.'s most selective colleges who came from the highest-earning one-fourth of households in 2000

46% Percentage of freshmen at the same colleges who came from the highest-earning quarter of households in 1985



21% Percentage of Americans asked who picked Clair Huxtable of *The Cosby Show* as the TV mom most like their own; she was the No.1 pick

7% Percentage who picked Marge Simpson as the TV mom most like theirs

Sources: World Bank; London Times; UCLA; Opinion Research Corp.



Maroni's trying to keep Alitalia in the air

Alitalia has crash landed in a field of catch-22s. The majority state-owned Italian carrier, which loses about €1.2 million a day, desperately needs a government bailout to avoid bankruptcy. But any rescue plan risks a veto from Brussels on antitrust grounds. Labor Minister Roberto Maroni promises the government will sign an emergency decree this week, reportedly set to dole out €120 million to Alitalia and Italy's smaller carriers this year. That would keep the flagship airline afloat and avert disastrous labor strife. But even if the bailout gets past E.U. competition czar Mario Monti, there's a more far-reaching conundrum. Analysts say Alitalia's long-term survival requires further privatization and a merger with another major airline. But Alitalia is in no shape to merge. A Europe-based manager of a U.S. airline scoffs at Italy's latest plan, which foresees layoffs of 1,100 and fiscal help from fuel tax cuts. "That's just spit in the ocean," he told TIME. "You've got to fix the problem." A genuine fix means massive job cuts, which requires real political courage in Rome. Just another catch-22.

BIZ WATCH
By JEFF ISRAELY

They're Still Just Winging It

INDICATORS

HARD TO SWALLOW

Swiss drugmaker Novartis accepted an invitation for merger talks from Franco-German Aventis. A deal won't be easy: the French government is against foreign ownership of Aventis, favoring the hostile €46 billion bid from its own Sanofi-Synthelabo.

FASHION A LA MODE

Luxury-goods group Gucci named ice-cream and frozen-food executive Robert Polet as its CEO. Polet, who has no professional fashion expertise, has spent his career at consumer-goods titan Unilever.

AND NO BUTTS

E.U. farm ministers agreed to phase out production-linked subsidies for the region's tobacco growers—located largely in Greece and Italy—by 2010. The deal for so-called Mediterranean crops will also slash subsidies to cotton and olive producers.

DUST TO DUST

France closed its last remaining coal mine, bringing an end to the nearly 300-year-old industry. Nuclear power provides the country with 80% of its energy needs.

FORD HAS A BETTER IDEA: PROFITS

Has the stalled auto industry turned a corner? Ford last week announced that profits at its global automotive operations almost tripled in the first quarter to \$1.8 billion, the first time since 2000 that the Michigan-based carmaker booked more from selling autos than customer financing. Revenues climbed worldwide: spiraling new car registrations in Europe (see chart) lifted Ford's sales in the region by almost one-third. With cumulative losses of \$6.4 billion for 2001 and 2002 disappearing in the rearview mirror, the firm's

earnings trumped crosstown rival General Motors' for the first time in three years. While GM beat expectations with profits of \$1.28 billion in the first quarter, poor results in the U.S. and Europe dented strong earnings in Asia. Still, it could be worse; Mitsubishi Motors is facing an empty tank. Germany's DaimlerChrysler won't rule out dumping its 37% stake in the Japanese firm, after killing speculation last week that it would stump up several billion dollars to rescue debt-ridden Mitsubishi. Investors sighed with relief: DaimlerChrysler stock shot

BACK IN GEAR

Car registrations in the first quarter are up on last year



SOURCE: ACEA

up over 7% on the announcement. A global turnaround? Not yet. Speed limits vary.

—By Adam Smith

THE BOTTOM LINE “It's time E.U. regulators took the trouble to learn about the industry they are misregulating.” GIOVANNI BISIGNANI, head of the International Air Transport Association, on Brussels' move to boost compensation for delayed flights

NOTEBOOK

A SADDAM SOUVENIR

WHEN SADDAM Hussein was roused from his spider hole in al-Dawr, a town near Tikrit, by U.S. soldiers last December, Iraq's fallen dictator was clutching a pistol. Saddam is in detention at an undisclosed location, being questioned by American author-

touch. "He really liked showing it off," says one recent visitor to the White House who has seen the gun. "He was really proud of it."

The pistol's new place of residence is a small study next to the Oval Office, where Bush takes select visitors after pointing out better-known White House pieces, like the busts of Winston Churchill and Dwight D. Eisenhower and a



Bush now has a memento of Saddam Hussein's capture to show White House visitors: the former Iraqi dictator's pistol



ities and awaiting charges for war atrocities and crimes against humanity. But whatever happened to the pistol?

The sidearm, sources tell *TIME*, has made its way to 1600 Pennsylvania Avenue. These sources say that the military had the pistol mounted after they seized it from Saddam, and that it was then presented to the President privately by some of the troops who played a key role in Saddam's capture. Though it was widely reported at the time that the pistol was loaded when U.S. troops grabbed Saddam, Bush has told visitors that the gun was actually empty—and that it is safe to

watercolor called *A Charge to Keep*, which gets its name from a Methodist hymn. The study—the same one where Bill Clinton held some of his infamous trysts with White House intern Monica Lewinsky—has become a place where Bush keeps the memorabilia that hold special significance for him. Another of the room's mementos: a photograph of special-forces soldiers in Afghanistan praying after having buried a piece of the World Trade Center there as a tribute to those who died in the terror attacks on Sept. 11, 2001.

—By Matthew Cooper



“In the lead-up to the Iraq War and its later conduct, I saw at a minimum, true dereliction, negligence and irresponsibility; at worse, lying, incompetence and corruption.”

RET. GEN. ANTHONY ZINNI, former head of U.S. Central Command, in his new book *Battle Ready*

“Alliances matter, and the United States must lead them. Shredding alliances is not the way to win the war on terror or to make America safer.”

SENATOR JOHN KERRY, presumptive Democratic presidential nominee, in a speech delivered in Seattle

“The investigation results indicate that Corporal Tillman probably died as a result of friendly fire.”

LT. GEN. PHILIP R. KENSINGTON JR., head of U.S. Army Special Forces, on American football player-turned-soldier Pat Tillman, whose April 22 death in Afghanistan had been blamed on enemy fire

“Can we tell them no? When I talked to the President, he was loaded.”

HENRY KISSINGER, former Secretary of State, on Oct. 11, 1973, in conversation with an aide asking if President Nixon would take a call from the British Prime Minister, according to just-released phone transcripts

“I wish there were some way that all of these wonderful houses of life and prayer could remain open and alive and full.”

ARCHBISHOP SEAN O'MALLEY, announcing the closing of 70 parishes in the Boston Roman Catholic archdiocese, in the face of dwindling finances and declining attendance

“It's ridiculous that it's easier for 16-year-olds to visit prostitutes than it is to get chewing gum.”

FAYEN WONG, college student in Singapore, where gum is now legal after a 12-year ban but citizens who want to chew must submit their names and ID cards to the government

“Frankly, what passes for pizza abroad is all too often a travesty. Enough is enough.”

CIRO MOFFA, Neapolitan pizza chef, applauding new Italian-government rules on how the dish should be made

Sources: *Battle Ready*; New York Times (2); Washington Post (2); PBS; London Times

HUBBLE'S HOPE: I, ROBOT

THE ENDANGERED HUBBLE Space Telescope may have life yet—thanks to a NASA-sponsored program to develop a robot that could be its remote-control savior. For all the yeoman's work Hubble has done—peering deeper into the universe than eyes or earth-bound instruments have ever managed—its prospects looked bleak a few months ago. The telescope was facing eventual loss of power and gyroscope failure, cutting short its life span by years. A shuttle mission to service the Hubble seemed pricey and, after the loss of the shuttle *Columbia*, risky. So the



Robonaut at the Johnson Space Center

agency said it would let the telescope expire in 2007.

But scientists howled, and in February the agency sent a mass query to engineers for ways to mount a robotic Hubble mission that would extend the telescope's life to 2012. Of the 26 proposals that have come in, the most personable is NASA's Robonaut—featuring an adult-size torso, arms and head with a leg that plugs in for stability and power. The Robonaut was built as a space-walk assistant to hand astronauts tools and brush contaminants off their space suits. But with five-fingered hands and cameras for eyes, it may be perfect for the Hubble repair job. If NASA okays the mission, the agency has until the end of the year to pick the winning robot. Simon Cowell, are you listening?

—By Jeffrey Kluger

ROOT OF THE PROBLEM

Impoverished Haitians have long cut down trees to turn into charcoal. It's a good way to make a few gourdes, but nearly 90% of the country has been deforested, and last week the consequences were measured in bodies. The floods that devastated Haiti and the Dominican Republic, and killed by some estimates 2,000, were made worse in Haiti by the lack of roots to soak up rain and hold back sliding soil. Mud rushed down denuded mountains and engulfed entire towns like Mapou, near the Dominican border, where rescue workers fear as many as 1,000 people may have drowned or been buried alive. In Jimani, residents had to dig through the earth with their bare hands in

search of loved ones. Survivors were few. "My family is gone and my house is gone too," said 40-year-old Rosin Madombe, whose two small children drowned before she could get them out of her now-submerged house. "What am I supposed to do?" With hurricane season only a few months off, relief organizations rushed to assist the poorest country in the western hemisphere. "A few months ago we couldn't move because of security," said Guy Gavreau of the U.N. World Food Program. "Now we can't move because the roads are destroyed." A minor earthquake that struck late Saturday caused little additional damage.

—By Peter Prengaman

A Silenced Voice

SERBIA AND MONTENEGRO Gunmen shot dead Dusko Jovanovic, the controversial editor of Montenegro's conservative daily *Dan* newspaper. *Dan* was frequently critical of the coalition government of Montenegrin Prime Minister Milo Djukanovic.

New Terror

SAUDI ARABIA Security forces surrounded a housing complex for expatriate oil workers in the eastern city of al-Khobar, where suspected Islamic militants took an estimated 50 hostages after going on a shooting rampage that left up to 16 people dead. The al-Qaeda-linked al-Quds Brigade are reported to have claimed responsibility.

Disputed Claim

SOUTH AFRICA The opposition Democratic Alliance accused police commissioner Jackie Selebi of "grandstanding" in asserting that local police had arrested and deported several people linked to al-Qaeda just days before the April 14 national elections. Terrorism experts were at a loss as to why al-Qaeda would want to strike South Africa, which has fiercely criticized U.S. policy and is a strong supporter of a Palestinian state.

WORLD WATCH

By PENNY CAMPBELL

An End in Sight

SUDAN The Islamic northern government and southern Christian and animist rebels agreed to a peace deal at talks in Kenya to



end to 21 years of civil war. The deal does not cover the conflict in the western region of Darfur.

Contested Polls

MALAWI Opposition parties filed legal challenges to the presidential elections after United Democratic Front leader Bingu wa Mutharika was declared the winner.

A New Suspect

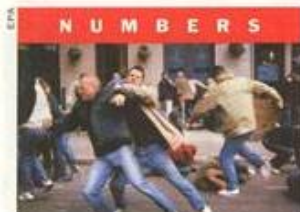
PAKISTAN Security officials said that an al-Qaeda-linked militant thought to have helped organize the kidnapping and murder of U.S. journalist Daniel Pearl masterminded two failed assassination attempts against President Pervez Musharraf in December. Musharraf earlier announced that junior military personnel were involved in the attacks on him.

MEANWHILE IN BRUSSELS ...

Lost in Translation

The European Commission instructed staff to write shorter documents, as the arrival of 10 new member states—taking the number of official languages from 11 to 20—threatened to overwhelm the translation service. Texts are to be limited to 15 pages, against the current average of 32. A similar order in 2001 failed to stanch the flow of verbiage.

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2,188 Number of English football hooligans banned from traveling to Portugal for this month's Euro 2004 championship. Only 100 were banned from the previous championship in 2000

50,000 Well-behaved English football fans expected to travel to Portugal to support their team



18,000 Potential terrorists sympathetic to al-Qaeda believed to be operating in some 60 countries around the world

1,000 Foreign Islamic fighters thought to have infiltrated Iraq since the end of major fighting last April

105 million Number of votes cast in the 2000 U.S. presidential election out of 156,421,311 registered voters



65 million Number of call-in votes recorded for the two finalists on *American Idol* (some people voted twice)

Sources: London Times (2); Int. Institute for Strategic Studies (2); Federal Election Commission; Charlotte Observer



Khodorkovsky's fans can't save his firm

Who Will Get Yukos?

What happens when a company can't pay its bills but is legally barred from selling its parts? Ask fallen oil giant Yukos, the erstwhile flagship of Russia's economy. "We can expect bankruptcy before the end of 2004," Yuri Beilin, vice chairman of Yukos' board, announced last week, after a Moscow court upheld a Tax Ministry demand that Yukos must pay \$3.5 billion in alleged back taxes for 2000. Another court upheld a previous ruling that froze Yukos' Swiss bank accounts worth \$5 billion, leaving the company with only \$800 million, while former CEO Mikhail Khodorkovsky remains in jail on fraud charges widely thought to have a political motive. Not surprisingly, Yukos stock had fallen 10.7% by the end of the week. Says Mikhail Krutikhin, an analyst with RusEnergy: "My clients now have just a single question left. Who gets Yukos, once it bankrupts?" Apparently there is an answer. "We know that the successor has been picked—we still don't know exactly [who it is]," says a senior Russian Cabinet official. "The person does not matter, though. It's the type that does: someone close and demonstrably loyal to Putin."

BIZ WATCH

By YURI ZARAKHOVICH

CAR TROUBLE

Maybe this is a good time to buy a car. Last week Roger Putnam, chairman of Ford in Britain, lamented that new E.U. directives on auto safety, to be implemented by 2008, would add about €5,000 to the sale price of every new car. Among other things, the rules require that car-makers minimize the amount of chemicals used in the manufacture of their autos and dictate that new cars be 95% recyclable. Ford also complained that some directives cancel each other out—explaining that pedestrian

safety rules will add weight to cars, while fuel efficiency directives anticipate lighter cars. Sighed a Ford spokesman: "We're piggy in the middle." But—to mix animal metaphors—is Ford crying wolf? "Think of the discussions in the late '80s about how the cost of controlling emissions would make cars more expensive," says Garel Rhys, head of the Centre for Automotive Industry Research at Cardiff Business School. "The figures that were bandied around turned out to be nothing of the

Ford says E.U. red tape will stick it to their sticker price



sort." Rhys argues the industry is so competitive that when one car-maker absorbs rather than passes on the cost of compliance, the rest will have no choice but to follow. Perhaps. In the meantime, buyers should fasten those seat belts. —By Jennie James

THE BOTTOM LINE "In other words, they are being choked by their own fat."

SHEILA MCKENZIE, pediatrician, on severely obese British children, in a report claiming that obesity could eventually cost the U.K. \$13.5 billion a year and bankrupt the health service

YUSEF KADREY FOR TIME

Hunting for insurgents in Afghanistan



AFTER GITMO, A TALIB TAKES REVENGE

THE U.S. MILITARY HAS TAKEN heat lately for holding, and in some cases abusing, innocent civilians in its prisons abroad. But at least one Guantánamo detainee, Taliban commander Mullah Shahzada, has proved anything but harmless. Soon after he was released last July—military officials believed

there was no cause to hold him—Shahzada seized control of Taliban operations in southern Afghanistan. He recruited fighters by telling harrowing tales of his supposed ill-treatment in the cages of Guantánamo. He proved to be an effective insurgent. A Taliban source told *TIME* that it was

Shahzada who masterminded a jailbreak in Kandahar in October, when 41 Talibs tunneled to freedom as bribed guards turned a blind eye. Several weeks ago, he and his gang nearly took the town of Spin Boldak, a smuggler's haven in the southeast, according to a security source in Kabul. His fighters, that source says, overran Afghan outposts and even planted bombs in the town, but French commandos

and Afghan militiamen thwarted the offensive.

Shahzada was finally killed in action three weeks ago. Afghan militia in Kandahar learned from informants where he and two of his comrades were hiding and passed the news to U.S. special forces, who prepared an ambush, according

to Razzaq Sherzai, a militia commander whose troops took part in the mission. A memorial service for Shahzada in Quetta, Pakistan, last week drew many Taliban leaders wanted by the U.S., Sherzai says.

But why was Shahzada freed in the first place? The Taliban considers photos un-Islamic, making it difficult to identify its senior commanders. The Pentagon doesn't comment on its Guantánamo detainees, but a Taliban source tells *TIME* that Shahzada convinced his captors he had been picked up by their Afghan allies only because he was Pashtun, a rival ethnic group. Afghan minister Gul Agha Sherzai, who has helped battle the Taliban, insists that if Afghan officials had been allowed to vet Guantánamo captives, Shahzada would never have been freed. "We know all these Taliban faces," he says. Repeated requests for access, he claims, were turned down.

—By Tim McGirk and

Rahimullah Yusufzai

IT'S NOT ALL BAD NEWS FOR BRITART

WHEN HUNDREDS OF MODERN ART works belonging to Charles Saatchi and others were destroyed last week in a London warehouse fire, the tabloids were quick to call it the end of Britart—and most tried to dance on its grave. Not that the tabs don't know their art, but many experts believe the movement is equally likely to rise phoenix-like from the ashes—with higher price tags attached. Established (and no longer so young) Young British Artists could see post-blaze scarcity and notoriety increase demand for their surviving works. Possible winners (and losers):



▼ Patrick Heron

The late artist, whose acclaimed modern paintings anticipated Britart, lost about 50 pieces. Scarcity might mean remaining works, like *AZALEA GARDEN* (1956), which shows at London's Tate Britain this week, will appreciate.



◀ Tracey Emin

Although two of Emin's most iconic installations burned, including *EVERYONE I HAVE EVER SLEPT WITH* (1995), experts see no potential impact on the value of her other works, nor on her already fiery rep.



◀ Damien Hirst

At first thought to have perished, Hirst's 7-m bronze statue *CHARITY* (2003) was one of only two items to survive the blaze. Hirst's oeuvre already fetches top prices—a 1992 piece went for \$1 million in May—but *Charity*'s brush with death is bound to increase both its cash value and cultural cachet.



▲ Martin Maloney

Twenty of his paintings went up in flames, among them *SONY LEVI* (1997). Maloney, not such a household name, lost works he'd want in any retrospective—a first step toward critical re-evaluation. So the fire really hurts.

A GENTLE G.O.P. FACE

IF GEORGE W. BUSH'S HARD line on Iraq has turned off some American voters, Republican Party leaders are hoping to restore a more moderate face when it counts the most—at the party's national convention in New York City at the end of August. A Bush campaign official tells *TIME* the roster of prime-time speakers will include California Governor Arnold

strong support for the Iraq war. One real Democrat, retiring Georgia Senator Zell Miller, who has often broken with his party to back Bush, has also been given a featured speaking slot. U.S. Secretary of Education Rod Paige will extol Bush's record on education. New York City Mayor Michael Bloomberg will open the festivities. His predecessor Rudy Giuliani and New York Governor George Pataki will



CHRISTOPHER MORRIS—VII FOR TIME

Schwarzenegger will get a prime-time slot at the convention

Schwarzenegger. That wasn't a given, since the former Terminator does not share Bush's opposition to abortion rights, and some Bush advisers counseled the President to keep his distance during the movie star's gubernatorial run to avoid offending Bush's conservative base. But Republican officials now hope the Governor's broad appeal will help undo Democratic efforts to paint the party as doctrinaire.

Another moderate party figure who will get prime time is John McCain, who has clashed with the Administration on a number of issues and was even talked of as a vice presidential candidate for the Democrats, but who is expected to voice

also get prime airtime for speeches designed to remind the country of Bush's response to the 9/11 attacks.

The spectacle may be something of a rerun of the overtly inclusionary 2000 convention; officials are again asking state delegations to stress diversity. Projecting such an image is crucial after weeks of strident exchanges between the parties, and testy emotions, culminating in U.S. Vice President Cheney's outburst at Democratic Senator Pat Leahy. Cheney will get a prime-time spot too, of course, but he isn't likely to join in the kinder, gentler approach. "Cheney soften?" says a Bush official. "Don't bet on it."

—By John Dickerson

44 VERBATIM

"F___ yourself."

DICK CHENEY, U.S. Vice President, to Democratic Senator Patrick Leahy of Vermont, on the Senate floor after members gathered for their annual group photograph. Cheney later admitted that he "probably" cursed at the Senator—who has made accusations of cronyism in the granting of contracts to the Vice President's former company, Halliburton—and added that he "felt better afterward"

"There should be a dialogue between the main powers of the Continent, but this dialogue should not be exclusive."

NICOLAS SARKOZY, French Finance Minister, arguing that the Franco-German axis is insufficient to compel E.U. unity. Meanwhile, President Jacques Chirac has given the popular, ambitious Sarkozy, whom he sees as a rival, a tough choice: to run for the ruling party's presidency—a stepping-stone to the French presidency—he must give up his Cabinet post

"I stand for 8-10 hours a day. Why is standing limited to four hours?"

DONALD RUMSFELD, U.S. Secretary of Defense, in a handwritten note on a memo in which he approved interrogation techniques for Guantánamo detainees that included standing for up to four hours. He works at a stand-up desk

"I knew what I was getting into."

MAREK BELKA, Prime Minister of Poland, after his government finally won a parliamentary vote of confidence, but lost its very first legislative vote immediately afterward. The mandate ended weeks of uncertainty in Poland and allows Belka to begin pursuing a program of fiscal and health-care reforms, ahead of another vote of confidence, expected in October

"Crush your enemies, see them driven before you and hear the lamentations of their women."

ARNOLD SCHWARZENEGGER, Governor of California, when asked to describe his governing philosophy; he acknowledged he was reprising his character from Conan the Barbarian

"I miss my old job terribly."

MARTHA STEWART, convicted former CEO of Martha Stewart Living Omnimedia, who is now awaiting sentencing

"He's a normal boy. He can just lift heavy things."

MARKUS SCHULKE, German neurologist, on a 5-year-old patient from Berlin who, because of a genetic mutation, has muscles twice the size of a normal child's. Schulke says the discovery of the mutation could aid research into diseases such as muscular dystrophy

Sources: Washington Post; Financial Times; USA Today; Interfax; New York Times; AP; Deutsche Welle

Tehran Flexes Its Muscles

THE PICTURES HAD EERIE AND disturbing echoes: men in blindfolds squatting on the floor looking disoriented, then being forced to march over rocky ground. These were not images of Abu Ghraib, but videos of British servicemen, part of a naval training team, arrested by Iranian forces after straying into Iranian waters during a storm. The sailors quickly apologized on TV, and after four tense days they were released as moderates in Tehran apparently prevailed in an internal power struggle.

But hard-liners in the Revolutionary Guards had seemed



British servicemen after capture, inset, and on release

eager to goad London, suggesting the men were special forces. According to Sadeq Ziba Kalam, professor of political science at the University of Tehran, Iran wanted to show "that it is a powerful country in the region that cannot be circumvented and ignored."

Tehran has lots of reasons not to appear meek these days.



U.S. forces are now deployed on two sides, in Afghanistan and Iraq, and Iran's leaders feel it hasn't been given enough credit for helping the Americans in Afghanistan. It has had recent border disputes with

Arab neighbors. The E.U. has just blasted its human-rights record, and U.N. nuclear inspectors have uncovered evidence that contradicts Iranian claims that its nuclear program is purely peaceful in intent. That exercises Washington in particular, but also London, Paris and Berlin, which last October jointly reached an agreement with Tehran to stop activities that might contribute to bomb construction. Just as the incident with the British was winding down, Iran announced it was repudiating the agreement.

Washington now wants the U.N. Security Council to impose sanctions. But Iran, with its extensive ties with Iraq's majority Shi'a population, including some militias, has many ways to make life miserable for coalition forces in Iraq—which the mini-saga of the British sailors deftly signaled.

—By J.F.O. McAllister, with reporting by Nahid Siamdoust

Welcome to Chechnya's Second Front

At 11 p.m. on June 21, Timur Aliyev was working late. Suddenly he and his staff at the Public Development Institute in Nazran, the main town in the tiny Northern Caucasus republic of Ingushetia, heard gunfire. For the next three hours they watched as gunmen attacked the nearby headquarters of the Interior Ministry and the Russian border guards. The gunmen—apparently rebels from neighboring Chechnya—"appeared from nowhere," Aliyev recalls, and they left the same way, leaving the Ministry buildings and military sites in four towns in ruins, and

almost 100 police, soldiers and civilians dead, among them the republic's Interior Ministry leadership. Russian President Vladimir Putin has claimed for years that the war in Chechnya was over; last week, a new front opened up in Ingushetia.

Until 2002 Ingushetia's President, Afghanistan war vet Ruslan Aushev, kept his republic out of the Chechen crossfire. He was sympathetic to the Chechens, even offering guerrillas medical treatment. He refused to send Ingush paramilitary police to Chechnya. In April, though, Aushev was replaced at Moscow's instigation by a former Russian Federal Security Service general, Murat Zyazikov, who toed the Kremlin hard line. Ingush and Chechens suspected of rebel sympathies started to disappear. The lightning strikes were the response. Until now, the assumption was that the insurgents were Chechens. Aliyev and other locals, though, assert that many were local Ingush. Says former Russian Parliament Speaker Ruslan Khasbulatov: "The war in Ingushetia, hitherto hidden from the public eye, has finally surfaced." —By Paul Quinn-Judge and Yuri Zarakhovich

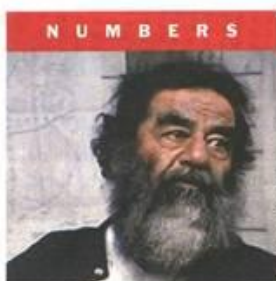


Russian soldier on guard after the attack

PERFORMANCE OF THE WEEK



Since Yuri Gagarin first blasted off in 1961, manned space flight has been strictly a government-run affair. That ended on June 21 when **MIKE MELVILL** flew 100.1 km high on **SpaceShipOne**, a private, rocket-powered plane funded by Microsoft co-founder Paul Allen. After landing, Melvill was more exultant than eloquent. He climbed atop the dart-shaped ship and yelled, "Yeeee-haaaah!"



NUMBERS

17 Number of words legible in Saddam Hussein's first letter home, after U.S. censors blacked out nine of 14 lines

\$3,415 Estimated long-term cost of the war in Iraq for every U.S. household, according to the Institute for Policy Studies, a U.S. think tank

54% Percentage of Americans who consider the U.S. made a mistake in sending troops to Iraq, the first time a majority have held this view

\$15.9 million Amount siphoned by China's General Administration of Sport from funds allocated to preparation for the 2008 Olympic Games in Beijing. Almost all of the diverted cash was used to build apartments for the Administration's staff

\$1,818 Monthly bonus British defense firm BAE Systems will pay expatriate employees in Saudi Arabia if they stay on despite recent al-Qaeda attacks

92 million Number of screen names in AOL's subscription list, which was allegedly stolen by an employee and sold to spammers

\$959,500 Record price paid for "Blackie," Eric Clapton's prized Stratocaster guitar, at an auction in New York City

Sources: BBC; Institute for Policy Studies; Gallup/CNN/USA Today; South China Morning Post; Guardian; Financial Times; AFP



Siemens staff will put in more hours

Get Back to Work

It was fun while it lasted, but the clock's being turned back on the 35-hour workweek. Pushed by labor unions in Germany and France who hoped it would create jobs, the measure instead jacked up the cost of doing business. Siemens just negotiated a return to a 40-hour week for the 4,000 workers at its two phone plants in Germany. Philips is discussing increasing working hours at its Hamburg semiconductor plant as part of a cost-cutting plan. Automakers DaimlerChrysler and Opel, the German arm of General Motors, and railroad firm Deutsche Bahn are currently negotiating longer hours with their unions. The German rollback has become possible because of new union contracts that allow for extended working hours in exchange for investment guarantees. But companies are also talking tough. Siemens isn't paying more wages for the extra hours, but it agreed not to move operations to Hungary. French firms are watching enviously. Finance Minister Nicolas Sarkozy recently hinted he might cave in when he described the effects of the official 35-hour week as "perverse." But don't expect change until after the summer holiday.

BIZ WATCH
By PETER GUMBEL

INDICATORS

EXPENSIVE SCOOP

Chicago-based newspaper publisher Hollinger International agreed to sell the Telegraph Group—including Britain's *Daily Telegraph*—to the U.K.'s Barclay brothers for \$1.2 billion. Hollinger's controlling shareholder, ousted chairman Conrad Black, may yet try to block the deal.

OVER A BARREL

Oil workers in Norway striking over pensions and job security reduced daily production in the world's third-largest oil exporter by 12%. The government ordered an end to the walkout.

MAKING TRACKS

U.S. digital media firm Loudeye agreed to pay around \$38 million for Britain's online music service OD2. Loudeye has work to do: Apple claimed that iTunes' European sales topped 800,000 in its first week, with downloads in the U.K. 16 times greater than OD2's.

SYSTEM ERROR

Organizers of Comdex, the fabled Las Vegas tech-trade exposition, pulled the plug on this year's event. Attendance has dropped by 80% since 2000.

'TIS THE SEASON TO GO PUBLIC

It's summer, and the IPOs are in full bloom. After years of drought, this is comeback time for the initial public offering; European IPOs for June have already trumped the \$6.6 billion fetched during all of 2003, according to Dealogic. Shares in Spanish broadcaster Telecinco had soared by more than 20% at the end of its debut week, while Italy's state-controlled utility Enel cheered the flotation of its national power-grid

owner Terna. And even after a bungled lead-up, investors piled in for a 33% share of Postbank, Germany's largest retail bank, generating €1.55 billion for parent Deutsche Post. Will investors tire? "The cash is there," insists Walter Kemmies, head of European equity strategy at JPMorgan. "The market for IPOs is open." Next up: France Télécom hopes to raise €1.8 billion in July from the



Pages Jaunes is ready for listing

WORK WORRIES

People polled citing unemployment as their nation's greatest concern



sale of a 30% stake in its Pages Jaunes directories business. Seems they've found the market's number. —By Adam Smith

THE BOTTOM LINE "The criminals are making great progress."

JURGEN STORBECK, director of police agency Europol, on the increasing amount of counterfeit currency. In late June, French officials uncovered €1.8 million worth of fake euro bills near Paris

N O T E B O O K

GOING AFTER ARAFAT

AFTER MONTHS OF bitter complaining in conference rooms over thick coffee and cigarettes, Yasser Arafat's critics within his own Fatah Party burst into the open last week. As riots rocked Gaza, parliamentarians threatened a hunger strike unless Arafat agreed to reform his corrupt administration and hand over control of the military to a new Prime Minister to replace

Minister Nabil Amr, was shot in the leg by a gunman; reformers took this as at least a warning from Arafat loyalists. In Gaza, Arafat's own Fatah faction issued a stream of leaflets accusing his henchmen of corruption and violence. Most of the vitriol was aimed at Arafat's cousin Moussa, whom he named this month to head the National Security Forces. The leaflets also accused Arafat of siphoning off public money to his wife, who lives in Paris—a rare personal attack on the Palestinian leader.



Palestinian militants demonstrating last week against Arafat, left, who so far won't cede any power

Ahmed Qurei, who wants to resign. But so far Arafat has remained defiant, refusing to accept Qurei's resignation, accusing opponents of a conspiracy to shove him aside and denying that he will give up any power. "I'm not going to surrender," Arafat said in a meeting with Qurei, sources who were there told TIME. "I do what I want and I know how to protect the Palestinian interests better than anyone else."

After four years of violence that shows no signs of ending, opposition to Arafat is spreading to the street. Last week a leading Arafat critic, former

The man behind the Fatah protests in Gaza is Mohammed Dahlan, the former head of Arafat's Preventive Security Service. He is taking advantage of a long-simmering perception among Fatah chiefs that Arafat has no intention of getting the Palestinians out of their present diplomatic dead end, even as the prospects for a Palestinian state seem ever more distant. "We warned Arafat two years ago to clean his house," says a senior Fatah official. The official says no one has immediate plans to get rid of Arafat, but the escalating campaign against him could be laying the foundation for someone to edge him aside.

—By Matt Rees and Jamil Hamad

44 V E R B A T I M

"If I have to advocate to our brothers in France, I will tell them one thing: Move to Israel, as early as possible."

ARIEL SHARON, Israeli Prime Minister, commenting on the rise of anti-Semitic attacks in France

"France has asked for an explanation. An eventual visit by the Israeli Prime Minister to Paris ... would not be considered until such an explanation is forthcoming."

THE OFFICE OF JACQUES CHIRAC, French President, in a statement of response. A Sharon spokesman moved quickly to calm France's anger, noting that aliyah—the return of Jews to Israel—is a longtime policy and that Sharon paid tribute to Chirac's efforts to stem anti-Semitism in France

"Time is not on our side."

THOMAS KEAN, U.S. 9/11 commission chairman, urging adoption of the panel's recommended reforms to U.S. intelligence gathering to avert another terror attack

"Wonderful moment! I hope you are happy now."

GLORIA MACAPAGAL ARROYO, President of the Philippines, to Angelo de la Cruz, the Filipino hostage whose release Arroyo secured in exchange for withdrawing the country's troops from Iraq

"A society of different lifestyles spawned a group of young people who were brought up without parental discipline, without proper role models and without any sense of responsibility to others."

TONY BLAIR, British Prime Minister, commenting on the after-effects of the culture of the Swinging Sixties

"If they don't have the guts, I call them girlie men."

ARNOLD SCHWARZENEGGER, Republican Governor of California, criticizing Democrats he blames for delaying his budget proposal

"No self-respecting small businessman with a brain in the right place would ever employ a lady of childbearing age."

GODFREY BLOOM, U.K. Independence Party M.E.P. just assigned to the Parliament's women's rights committee. Bloom wants to deal with women's issues because "they don't clean behind the fridge enough"



The next stop for Blair confidant Mandelson is the European Commission

TONY MELVILLE—REUTERS

NOTEBOOK

Blair's Man in Brussels

B RITISH M.P. AND FORMER Cabinet Minister Peter Mandelson has a lot of enemies, but he has one very old and dear friend: Prime Minister Tony Blair, who last week named him the U.K.'s representative on the European Commission. Of Mandelson's talents and aptitude for the job there is little doubt. He is one of the Labour Party's most passionate pro-Europeans and a principal architect of the party's 1980s makeover from an unpopular assemblage of hapless lefties to the formidable centrist vote-getting machine it became under Blair. But he is also Machiavellian and polarizing. He has had to quit the Cabinet twice, first in 1998 when he failed to disclose a loan from another Minister, then again in

2001 when he was alleged to have intervened improperly to secure a passport for a foreign businessman. An inquiry into the latter episode subsequently cleared him of any wrongdoing, but last week opposition from senior Labour figures still kept Blair from offering Mandelson what he really wanted: another job in the Cabinet.

Seeing him shipped off to Brussels is a bonus for Mandelson's detractors. Is it smart for Blair? Inside the Brussels labyrinth, Mandelson should be good at pushing Blair's brand of reform—less regulation and more transparency. But Blair's biggest European problem is at home: the referendum he has promised on the E.U.

constitution, likely to be held no sooner than 2006. Britain's highly Euro-skeptic voters will make this a seriously uphill fight, and one of Mandelson's key jobs will be to help lead it. Opponents of the constitution say: Bring him on. "Who better to put the case for the European constitution than a discredited politician whose name is a byword for lies and spin?" asks Neil O'Brien, campaign director for Vote No. A more immediate problem for Blair is a by-election for Mandelson's parliamentary seat, which may give the antiwar Liberal Democrats another chance to exploit unhappiness with Iraq to overturn a large Labour majority. Blair, who's now on summer holiday, is betting that his controversial friend's third time in high office will be lucky.

—By J.F.O. McAllister

BAD MEMORIES

F ORMER SPANISH PRIME MINISTER JOSE Maria Aznar has been touring South America promoting his memoirs, *Eight Years in Government*. But back home, Spaniards are up in arms about events barely covered in the book. The panel investigating the government's response to Madrid's March 11 terrorist attacks, in which 191 people died, continues to turn up indications that while still in power, Aznar's government blamed ETA for the attacks, even though the evidence pointed to al-Qaeda. Last week, Civil Guard General José Manuel García Varela told the panel that at 2 p.m. on March 13, then Interior Minister Angel Acebes was told of the imminent arrest of Moroccan and Indian suspects, yet later that day Acebes said publicly that ETA was still the main focus of the investigation.

Spaniards were also surprised when Aznar told Colombian radio station W Radio that he still has clas-

sified intelligence documents from after the attacks. Socialist Party and other officials have called for an inquiry to determine whether Aznar broke the law by retaining the reports. "This is a sign of his authoritarian and self-centered way," says Begonia Lasagabaster, a Basque congresswoman.

The bad publicity just kept coming. Cadena Ser, a well-regarded Spanish radio network, reported that in January the Spanish government hired Washington law firm Piper Rudnick to, among other things, help Aznar collect the Congressional Gold Medal. Officials from Aznar's Popular Party

say it's common practice for governments to hire Washington lobbyists, but critics are charging misappropriation of public funds. The U.S. Congress has yet to approve the medal. Aznar, meanwhile, rejects all charges of impropriety: "People can invent many things to distract attention," he said. "That's despicable." But it makes good material for a second volume of memoirs.

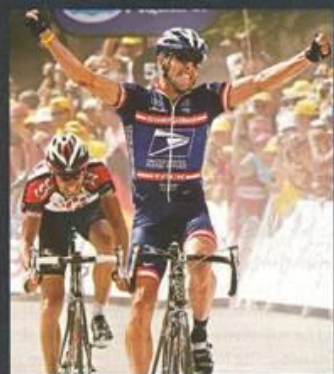
—By Enrique Zaldúa



Life after government isn't proving easy for Aznar

HECTOR GUERRERO—AP/WIDEWORLD

PERFORMANCE OF THE WEEK



After five consecutive wins in the Tour de France, American **LANCE ARMSTRONG** faced daunting challenges this year, including the tenacity of Italy's Ivan Basso. But on the race's Alpine stretch, Armstrong claimed the lead; widened it as the race wound back toward Paris; and seemed headed for an unprecedented sixth straight victory in the Tour de France, leaving everyone to marvel at his latest tour de force.

SEX IN THE SEMINARY?

WITH A STEEPLE IN EVERY town, Austria is still a country where the Roman Catholic Church has a towering presence. Which is why a seminary sex scandal has shaken the Alpine republic to its roots. Photographs published in *profil*, a respected weekly magazine, showed seminarians and instructors at St. Poelten, 80 km west of Vienna, apparently kissing and fondling each other. Police last week also charged a 27-year-old



News of the scandal spread fast

student there with possession and distribution of child pornography. Liberals within the church criticized both the Vatican and Kurt Krenn, the conservative bishop of the diocese, who dismissed some of the goings-on as "a boyish prank," for being slow to react. So last week the Vatican took the rare step of dispatching an "apostolic visitor" to investigate. Christian Rainer, editor of *profil*, says this story was "not difficult" to get, and that "a lot of people in the Church and in Austria want some kind of catharsis on this issue." —By Andrew Purvis.

With reporting by Bethany Bell



Bishop Krenn is under pressure to resign

BUILDING BRIDGES



DANILO KESTANOVIC—REUTERS

The fabled Stari Most (Old Bridge) at Mostar reopened last week—more than four centuries after it was first erected, and a decade after it was deliberately destroyed by Croat tank shells during the Bosnian war. The white stone span, built under orders from Suleiman the Magnificent, weathered centuries of turmoil and was a meeting place of East and West, Islam and Christianity, before being obliterated in 1993. As that loss became a symbol of the brutality and pointlessness of the Bosnian conflict, the bridge's reconstruc-

Fireworks greet the opening of Mostar's new Old Bridge

tion—funded by the U.S., Turkish, Italian, Dutch and Croat governments, among others—is a rare positive step toward reconciliation. "As with this bridge, so with Bosnia and Herzegovina," the United Nations' High Representative for the country, Paddy Ashdown, said at the opening ceremony, attended by delegations from 52 countries. With the return of refugees and the still-awaited arrest of former Bosnian Serb leader and ac-

cused war criminal Radovan Karadzic, the reconstruction is one of "three great acts of closure" for Bosnia, Ashdown told TIME. Locals have been celebrating, diving again from the high span into the Neretva river. But the communities that live on either side—Bosnian Muslim and Bosnian Croat—still lead largely separate lives, attending their own schools and hospitals, even throwing their garbage in separate dumps. The bridge has taken a decade to rebuild. Spanning the human divide will take longer still. —By Andrew Purvis

On the Wrong Track

TURKEY A recently introduced high-speed train running from Istanbul to Ankara derailed near the northwestern town of Pamukova, killing 37 people. Two drivers and a crew chief of the train were charged with negligence, but the media and unions criticized the government for allowing its showcase high-speed rail service to start operating in June, despite warnings from experts that the existing track was not good enough.



Workers at the crash site in Pamukova

FATMA KARABAS—REUTERS

Going Down

RUSSIA Not even a bailout offer from a consortium led by ex-Yukos official Konstantin Kalagovsky could reverse a slide in the oil giant's stock. As court bailiffs threatened to sell its core asset, Yuganskneftegaz, to recoup \$3.4 billion in back taxes,

the prospect of bankruptcy loomed too large.

Never Mind

SAUDI ARABIA A grand total of six Islamic militants surrendered under a month-long

amnesty offered to al-Qaeda supporters. Officials had expected a greater number to turn themselves in, but said they were still negotiating with several high-level militants.

Risky Business

IRAQ Insurgents continued their kidnapping campaign. One group seized the chief of an Iraqi construction firm; another, the Lions of Allah, said it took a senior Egyptian diplomat hostage because Egypt had offered security aid to the Iraqi government. Seven truckers, an Egyptian and six men from Kenya and India,

were taken by insurgents who demanded their employer, Kuwait and Gulf Link Transport, close its operations in Iraq. The company said it was negotiating with the kidnappers.

His Own Private Army

AFGHANISTAN The U.S. denied claims by Jonathan Idema, a former U.S. special forces member on trial in Kabul for running a private jail, that he was acting with the approval of the Pentagon. However, the U.S. military confirmed that it took custody in May of an Afghan prisoner handed over by Idema.

MEANWHILE IN GERMANY ...

Busy Signal

Economy Minister Wolfgang Clement invited anyone who found the new 16-page welfare benefit claims forms too complicated to give him a ring. Days later, he admitted that his office was "completely paralyzed" by phone callers who were referred to a government hotline. Maybe Clement's staff was having problems completing the forms, too.



To receive World Watch by e-mail, go to: www.timeeurope.com/ww/subscribe

WAKING FROM THE DREAM

ANYONE WHO SAW *SHREK 2* and wondered how to cash in on the ogre's box-office charm will soon have a chance. DreamWorks SKG, the U.S. studio behind the billion-dollar *Shrek* franchise, announced that it plans to spin off its animation division in an initial public offering (IPO) to raise at least \$650 million. DreamWorks Animation, as the new company will be called, intends to release two computer-animated films a year and needs the capital to help finance the movies and tackle archival Pixar, which keeps rais-



The *Shrek 2* studio is troubled

ing the bar with hits like *Finding Nemo*. But the IPO opened a window into troubles at the high-flying studio, launched in 1994 by Steven Spielberg, Jeffrey Katzenberg and David Geffen. The IPO filing reveals that the animation unit lost more than \$350 million over the past five years, and it warns of a litany of potential pitfalls, from the studio's meager slate of big-budget films to its undersized library of movies from which to generate cash during lean years.

The animation spin-off is the latest chapter in the dismantling of DreamWorks, following the sale of its music business and exits from video games and Internet ventures. "They had the name recognition and horsepower to do magnificent things," says media investor Harold Vogel. A fairy-tale ending, however, appears to have been left onscreen. —By Daren Fonda



Can Siniscalco come to grips with Rome's finances?

Italy's New Finance Minister Speaks

Domenico Siniscalco grabs a pencil and a piece of scrap paper and whips off a quick V-shaped graph: his projection for how slashing the deficit and then cutting taxes will help kickstart the Italian economy. Italy's new Finance Minister has all the smooth loquacity of a Rome politico, but he's a number-crunching economics professor at heart. And these days maybe only a wonk can handle Italy's books. Siniscalco, 50, spent the past three years as the top technical adviser to now-departed Finance Minister Giulio Tremonti. In his first interview since taking over the ministry earlier this month, Siniscalco told TIME that his move to the top means "a fresh start. It's not a U-turn. Obviously, I'm a sign of continuity. But it's like pressing 're-

set.'" His first big accomplishment: getting bickering coalition allies to grant initial Cabinet approval for €24 billion in cuts to the 2005 budget that would bring a projected 4.4% deficit below the 3% ceiling mandated by euro-zone membership. He also managed to convince the government to put off some long-promised tax cuts until the deficit is under control next year.

"I'm deeply convinced that economic performance depends on decisions made by [Italy's] 60 million people," Siniscalco says. "And our job is to give them the right signals." Siniscalco believes Italians understand that public coffers must be put in order before fiscal breaks start flowing.

Meanwhile, Prime Minister Silvio Berlusconi is hoping Siniscalco's skills as a consensus-builder will help hold the fractious coalition government together. (In an attempt to placate his Christian Democratic allies in the UDC party, Berlusconi announced that UDC stalwart Rocco Buttiglione will replace Mario Monti as Italy's European Commissioner in October.) Siniscalco is conferring with other Cabinet members, and even reaching out to Italy's powerful unions, before finalizing decisions on the economic blueprint for the next four years due this fall. The question for Siniscalco, and for Italy, is whether Berlusconi's government will still be calling the shots when autumn rolls around.

BIZ WATCH
By JEFF ISRAELY

INDICATORS

ACKERMANN CLEARED

A German court acquitted Deutsche Bank CEO Josef Ackermann and five former Mannesmann executives of criminal breach-of-trust charges related to the German telecom firm's 2000 takeover by Vodafone. The six had been accused of granting excessive bonuses to Mannesmann bosses. Prosecutors said they would appeal the verdict.

CALLED BACK

The European Commission ordered France Télécom to repay up to €1.1 billion in state aid it received through tax breaks between 1994 and 2002. Brussels also slammed the French gov-

ernment's verbal support and the unused €9 billion credit line that it pledged to the firm in 2002.

TAKING THE MEDICINE

German drugmaker Bayer agreed to buy the nonprescription drug business of Swiss rival Roche for \$2.9 billion. The deal lifts Bayer into the world's top three manufacturers of over-the-counter medicines.

A DRAFT DEAL

Canadian brewer Molson and U.S. rival Adolph Coors agreed to a \$6 billion merger. If shareholders approve, the deal will make the world's fifth-largest brewer by volume.

GOOD RECEPTION



The rate of households with digital TV will continue to rise

THE BOTTOM LINE "We will have a high-class problem to deal with." **JOHN CONNORS**, CFO of Microsoft, on being left with a \$24 billion cash pile even after the firm announced it would pay shareholders a \$32 billion dividend this year, the biggest payout of its kind

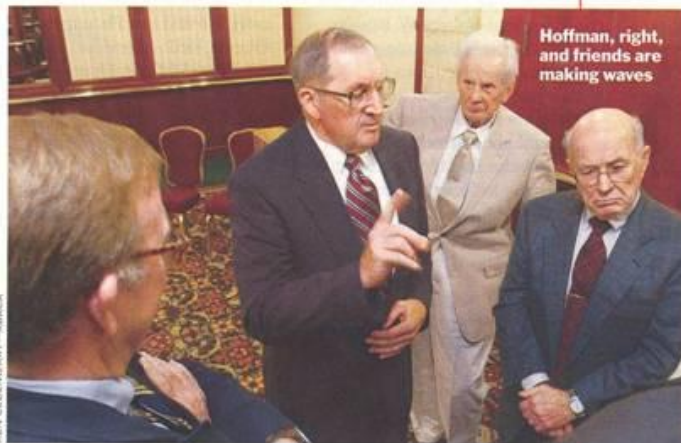
NOTEBOOK

A SHIP OF TOOLS?

JOHAN KERRY CAN EXPECT to hear a lot more from the Vietnam veterans who have launched an ad campaign attacking his military record. Polls suggest the flap is damaging the Democratic presidential candidate's image as a decorated veteran: 77% of registered voters surveyed by TIME say they have seen or heard about the ads. And

W. Bush to SBVT.

Some lifelong Bush backers from Texas have provided big sums to SBVT, and last week Bush campaign counsel Benjamin Ginsberg resigned after acknowledging that he had advised the group, though insisting he had done nothing illegal. Now it turns out that retired Navy Rear Admiral and swift-boat veteran William Schachte, who claimed the wound that



Hoffman, right, and friends are making waves

while U.S. Navy records and eyewitnesses contradict nearly all of the group's claims, 35% (including 25% of swing voters) suspect there's some truth to the charges.

"We knew that we were going to stir the pot, but I had no idea we'd be this successful," says retired Rear Admiral Roy Hoffman, Kerry's former commander and founder of Swift Boat Veterans for Truth (SBVT). By last Friday the group said its website alone had raised \$2.5 million from 37,183 donors—money Hoffmann plans to use to pummel Kerry with ads, right up to election day. Kerry campaign officials say their focus groups suggest a backlash is building, one they hope will pick up if they can link President George

won Kerry his first Purple Heart was self-inflicted, is counsel at the same law firm as David Norcross, chairman of this week's Republican National Convention. Norcross tells TIME he knew nothing about Schachte's claim. "There's no connection whatsoever," says Bush spokesman Steve Schmidt, accusing the Democrats of hypocrisy, since lawyers helping Kerry have also been linked to anti-Bush groups. Neither Schachte nor his spokeswoman returned calls for comment. A Kerry spokesman says Schachte was not even on the boat that day and claims this is only the latest evidence of Bush-campaign ties to SBVT. —By Karen Tumulty and Timothy J. Burger

44 VERBATIM

“Russia now has its own September 11.”

HEADLINE in Russian daily *Nezavisimaya Gazeta* referring to the two airplane crashes that left at least 90 dead

“If you believe that the intelligence community is doing just fine, thank you, then obviously this is not your bill.”

PAT ROBERTS, U.S. Senate Intelligence Committee chairman, on his proposal to overhaul American intelligence agencies

“We have to be careful about it... You don't want, in the middle of a war, to go tearing up the pea patch.”

DONALD RUMSFELD, U.S. Defense Secretary, on Senator Roberts' proposal

“We've found a string of failures... fundamental failures throughout all levels of command, from the soldiers on the ground to the Central Command and to the Pentagon.”

TILLIE FOWLER, a member of James Schlesinger's panel investigating U.S. prison abuses in Iraq

“To all my brothers in the Mahdi army... leave Kufa and Najaf without your weapons, along with the peaceful masses.”

MUQTADA AL-SADR, Shi'ite cleric, in a recorded statement, after agreeing to a peace deal brokered by Iraq's top Shi'ite spiritual leader, Ayatollah Ali Sistani, to end three weeks of fighting between U.S. and Iraqi troops, and his Mahdi militia

“North American temperature changes from 1950 to 1999 were unlikely to be due only to natural climate variations.”

OUR CHANGING PLANET, a report by the federal Climate Change Science Program and the Subcommittee on Global Change Research, marking the closest the Bush Administration has come to admitting global warming is not a natural phenomenon

“I don't think we did.”

PRESIDENT GEORGE W. BUSH, on his Administration's apparent change of heart on global warming

Sources: ABC; New York Times; Associated Press; New York Times; Associated Press; Reuters; New York Times

DAVID KENNEDY—AP/WIDEWORLD



The Verdict on Rumsfeld

A REPORT RELEASED LAST week places responsibility for the mistreatment of inmates at Iraq's Abu Ghraib prison on the shoulders of U.S. Secretary of Defense Donald Rumsfeld. Though the report didn't single him out by name or call for his resignation, it concludes that a combination of too many prisoners and too

few guards—as well as a confusing chain of command—generated a climate ripe for trouble that the Pentagon's leadership should have anticipated. In the report, Rumsfeld's own specially appointed panel, headed by former Defense Secretary James Schlesinger, blames Rumsfeld's lean and haphazard

deployment orders for overtaxing troops in Iraq. It points out that when the commander in charge of Abu Ghraib, Brigadier General Janis Karpinski, said she needed more forces, she was told to "wear her stars" and reallocate personnel among her overstretched units."

Schlesinger's report and a separate internal Army probe lay out a series of dubious decisions that fostered the abuses, starting with

President George W. Bush's 2002 order suspending the Geneva Conventions for captured al-Qaeda and Taliban members. Rumsfeld then doubled the number of harsh strategies that U.S. forces could employ in Guantánamo Bay and Afghanistan, allowing measures like stripping prisoners and using dogs to terrify them.

Pressured by Pentagon lawyers, the Schlesinger report said, Rumsfeld ultimately banned the worst techniques. But some slipped back into use at Abu Ghraib after those who had used them in Afghanistan and Guantánamo arrived in Iraq. "They were neither limited nor safeguarded" in their application, the panel said.

Faced with these embarrassing assessments, Rumsfeld kept a low profile last week, staying away from the capital. "I don't think anyone with any judgment expects the person in my position to know what's going on in the night shift 6,000 miles away," he said in a Phoenix, Arizona, radio interview.

Rumsfeld's problems seemed to mount over the weekend with reports that the FBI is investigating Larry Franklin, a Defense Department analyst, for allegedly passing classified information to Israel.

—By **Marl Thompson**. With reporting by **Elaine Shannon**

sitegeist



Tabs on the Toll

More than 1,100 coalition troops have died in Iraq and thousands more have been wounded. If you're looking for a more detailed breakdown of these numbers, check out [ICASUALTIES.ORG](http://icasualties.org), a website that provides data based on official death counts from coalition countries, including each soldier's name, hometown, unit and date of death. The names of the deceased can be viewed by time period and type of incident.

—By **Patrick Stack**

Beenie Man Feels the Heat

DANCEHALL REGGAE MAY BE ONE OF THE HOTTEST THINGS THROUING IN THE CLUB scene, but the genre's current headline act, Beenie Man, is also taking heat from gay activists for his violently homophobic lyrics. (Sample: "I'm dreaming of a new Jamaica, come to execute all the gays.") The activism seems to be working. A campaign called Stop Murder Music, launched by London-based OutRage, forced MTV to cancel an Aug. 28 performance in Miami by the Grammy-winning artist. Activists in New York City are protesting a performance scheduled for Sept. 3. In all, 30 Beenie Man and other reggae artists' shows in the U.S. and Europe have been canceled. "We're talking about someone who is saying you should burn gay people alive," says OutRage president Peter Tatchell. But the outrage hasn't stopped there. Beenie Man is the focus of a criminal probe in Britain, where it is unlawful to use threatening words to incite violence. "This is the



Beenie Man on the set of a music video

first investigation of its kind," says Detective Clive Driscoll of London's Metropolitan Police. Activists haven't targeted the artist's label, Virgin Records. A spokesman for Virgin says the offending songs were released by an unaffiliated label.

—By **Peter Bailey**

SINS OF THE GRANDFATHER

THE BUSH ADMINISTRATION prevented Europe's leading Muslim intellectual, Tariq Ramadan, from taking up his new job as a tenured professor of "religion, conflict and peace-building" at the University of Notre Dame in Indiana. The Geneva-based author, named by TIME last April as one of the world's 100 most influential people, was scheduled to report to work last Tuesday, but the U.S. State Department abruptly

revoked his work visa, citing a Department of Homeland Security decision that he is a national security threat and "public safety risk."

Ramadan displays his canceled visa

Ramadan says he is being punished because his maternal grandfather, Hassan al-Banna, founded the Muslim Brotherhood, banned by the Egyptian government as an extremist organization. "Many people speak about my grandfather but forget my own life," Ramadan told TIME. "For the past 20 years I've been involved in academia, mainly with people from other faiths."

U.S. officials tell TIME that Ramadan's travel to the U.S. was barred because intelligence files assert he has had surreptitious contacts with al-Qaeda figures. Ramadan is incredulous. "To hear that now I have connections with terrorists? Who's going to believe that?" he fumed to TIME last Thursday, his 42nd birthday. "You can disagree with my intellectual stance but don't come with this."

—By Elaine Shannon and Vivienne Walt

LAURENT DILLIERON—KEVSTONE



JIM WATSON—AFP/GETTY IMAGES



SLOW GOING IN DARFUR

To ratchet up the pressure on the Sudanese government—which has promised to disarm Arab militiamen accused of killing 30,000 and forcing more than 1.4 million from their homes—United Nations special representative Jan Pronk and British Foreign Secretary Jack Straw made separate visits to the country's western Darfur region. Pronk will give a report to the Security Council this week. If Khartoum has not made progress it could face international sanctions. Pronk said that Khartoum had taken some positive steps—setting aside safe areas, for in-

stance—but that violence continues. After touring the Abu Shouk refugee camp in northern Darfur, Straw called on Khartoum to make the area secure so that people could return to their villages, saying that the situation demanded "a real effort by the government of Sudan to provide for [the refugees'] safety and ensure progress in peace talks." In an effort to end the violence in Africa's largest country, Sudanese government officials met with leaders of two Darfuri rebel groups, who want a greater say in their rule, in the Nigerian capital of Abuja. The talks, sponsored by the African Union, broke up briefly with rebels staging a 24-hour boycott at week's end; rebel leaders accused Khartoum of a hand in the deaths of dozens of civilians even as negotiations took place. Khartoum remained confident that it would not face sanctions.

—By Simon Robinson

By a Whistle

CZECH REPUBLIC The coalition government of new Prime Minister Stanislav Gross survived a mandatory vote of confidence in parliament, winning by just 101 votes to 99. Gross replaced fellow Social Democrat Vladimir Spidla, who resigned in June following the party's poor performance in European elections. Gross, at 34, is Europe's youngest premier.

Stemming the Tide

LIBYA Italian Prime Minister Silvio Berlusconi met with Libyan leader Muammar Gaddafi for talks on ways to stop illegal immigrants from Africa using Libya as a launch pad to reach Italy. A day earlier, a boat believed to have departed from Libya and carrying 275 migrants was intercepted off the coast of the Sicilian island of Lampedusa.

Polio Resurgent

AFRICA The World Health Organization warned of the threat of a polio epidemic as the virus returned to two countries where it had previously been eradicated. Guinea and Mali brought to 12 the total of formerly polio-free



nations that have seen new cases of the disease since January 2003. The outbreak dealt a blow to the WHO's goal of eradicating polio worldwide by the end of 2004.



Rescuers in Taiwan search for survivors

Stormy Season

TAIWAN Rescuers searched for survivors and evacuated residents threatened by mudslides in the wake of Typhoon Aere, which reportedly killed 30 people as it swept across the island. The storm had earlier contributed to heavy flooding in the Philippines that left at least 21 dead. The

storm went on to hit China's southeastern coast—from where officials had evacuated 1 million people—causing heavy damage but just two fatalities.

Mean Streets

BRAZIL A series of coordinated attacks in São Paulo left six homeless people dead and nine others hospitalized. All 15 were beaten with metal piping as they slept on downtown pavements. Police believe the attacks were carried out by a member of a hate group seeking to rid the streets of unwanted elements. The assaults evoked dark memories of a similar case in Rio de Janeiro in 1993 in which off-duty policemen shot dead eight street children.

MEANWHILE IN BRITAIN ...

Trashing Modern Art

London's Tate Britain art gallery admitted that a cleaning woman threw out one of its exhibits, thinking it was trash. That was understandable, since the artwork in question was a transparent garbage bag filled with waste paper and cardboard—part of an installation by artist Gustav Metzger.



ALANIS ARREZ

To receive World Watch by e-mail, go to: www.timeeurope.com/ww/subscribe

MILLIONAIRE MAKEOVER

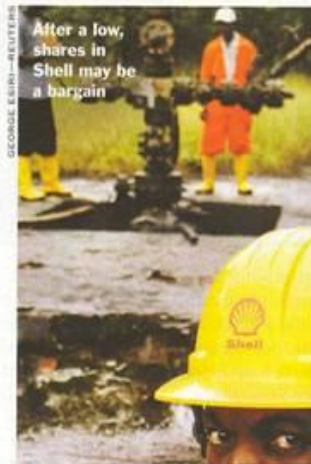
H E'S A BRASH YOUNG millionaire among aging ex-communists, but Hungary's ruling Socialists are hoping Ferenc Gyurcsany, their new Prime Minister-designate, can rebuild the party's tattered image in time for elections in 2006. Gyurcsany, 43, who's moving up from Youth and Sports Minister, made his fortune by buying state enterprises at fire-sale prices in the early 1990s. In a party vote, he beat an old-guard politician named Peter Kiss by a margin of 40% after Peter Medgyessy,



Gyurcsany has been trying to soothe skittish investors

the former PM, officially quit. Although lacking in experience, Gyurcsany is not lacking in confidence. "He believes in himself and he believes he can win, and maybe that will make others believe," a senior party organizer told TIME after the ballot. "He's a risk, but he is the only chance we've got." Support for the party, perceived by many Hungarians as moribund and rooted in its communist past, is at a low of 20%, compared to 45-50% for the opposition Fidesz party. Said one strategist: "If we don't change our image, we are finished." Still, Gyurcsany's first message has been one of continuity. To soothe markets and investors worried that the political turmoil would derail efforts to rein in Hungary's 5% budget deficit, he has said he will keep the respected Finance Minister, Tibor Draskovics, in his post.

—By Andrew Purvis



After a low, shares in Shell may be a bargain

Is It Time to Buy Shell?

E ight months after disclosing that it had massively overstated its proven oil reserves, Royal Dutch/Shell continues to be roiled by a barrage of bad news. Britain's Financial Services Authority and the U.S. Securities and Exchange Commission are still investigating the company, even after announcements last week that they are fining Shell a combined \$150 million for "unprecedented miscon-

duct," in the words of the FSA. And Nigeria's Senate passed a resolution calling on the company to pay \$1.5 billion for environmental and health hazards it allegedly caused in the Niger Delta. But with Shell stock at about \$7.30 a share in London, or just over 11 times its estimated earnings this year, and other Big Oil stocks such as BP and Exxon Mobil trading closer to 14 times earnings, that suggests: buy. "We can't help but think there is now limited downside risk," said Merrill Lynch analyst Mark Iannotti, while upgrading his recommendation. Shell's stock isn't the bargain it was last winter after the reserves scandal broke, when it traded at around \$6.30. Keeping it buoyant: plans for a big revamp of Shell's corporate structure and continuing rumors—dismissed by both sides—that France's Total might try to acquire the company.

BIZ WATCH
By PETER GUMBEL

INDICATORS

THE SPITZER TREATMENT

Britain's GlaxoSmithKline (GSK) reached a \$2.5 million settlement with New York Attorney General Eliot Spitzer over allegations that it withheld information about the safety of antidepressant Paxil. GSK also agreed to publish online the results of all its clinical trials since December 2000. Spitzer sued the firm in June, claiming it failed to release data suggesting Paxil could increase suicidal tendencies in children.

RISING INTEREST

Japan's Sumitomo Mitsui Financial Group sought to scupper a merger agreement between rival banks UFJ Holdings and Mitsubishi Tokyo Financial Group (MTFG) with a \$29 billion bid for UFJ. It said it would consider SMFG's offer, but would still link up with MTFG, creating the world's largest bank.

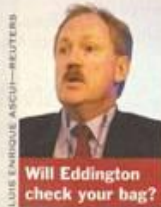
STRIPE STRIFE

German-based sportswear maker Adidas said it had filed a suit in the U.S. against Polo Ralph Lauren, claiming a twin-striped jacket produced by the fashion house infringed upon Adidas' trademark three stripes.

LOSING GROUND CONTROL

A h, summertime, when the livin' is easy and Europe's airlines enjoy a holiday boom—right? Not exactly. Alitalia CEO Giancarlo Cimoli last week warned that the state-owned carrier faced collapse within 20 days unless unions agree to cost cuts and layoffs. But downsizing has consequences: British Airways (BA), which has chopped 13,000 jobs since 9/11, last week grounded more than 100 flights at its Heathrow hub. The

main reason: staff shortages. Did BA fumble its math? The carrier blames twice the normal rate of workers quitting the firm earlier in the year, with recruiting delays not helping. Unions disagree: BA "didn't just cut the flab," railed Ed Blisset of the GMB. "It cut into the bone as well." But with quieter winter months approaching, "shareholders would probably prefer [BA] run on edge this time of year," counters one airline analyst. Even CEO Rod



Will Eddington check your bag?

FAST FINGERS

Instant messages sent daily around the world

Year	Messages in billions
2001	3.7
2002	5.6
2003	6.2
2004*	7.5
2005*	9.9
2006*	12.6

Wireless IM messages not included
*Forecasted
Source: IDC, 2004

Eddington lent a hand at Heathrow late last week—a great way to spend a summer holiday.

—By Adam Smith

THE BOTTOM LINE "This is an economy with no spare capacity."

TREVOR WILLIAMS, chief economist at Lloyds TSB, warning that Britain's second-quarter GDP growth of 3.7% year-on-year, its fastest in almost four years, could stoke inflation

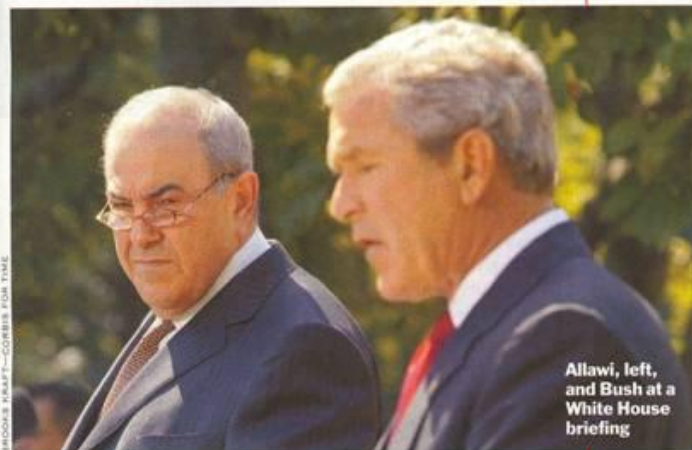
NOTEBOOK

HOW MUCH U.S. HELP?

PRESIDENT BUSH AND interim Iraqi Prime Minister Iyad Allawi insisted last week that Iraq would go ahead with elections slated for January, despite the continuing violence. But U.S. officials tell TIME that the Bush team ran into trouble with another plan involving those elections—a secret “finding” first written sever-

phone call about the issue.

Rice spokesman Sean McCormack says, “I cannot in any way comment on classified matters, the existence, or nonexistence of findings. There have been and continue to be concerns about efforts by outsiders to influence the outcome of the Iraqi elections, including money flowing from Iran. This raises concerns about whether there will be a level playing field for



Allawi, left, and Bush at a White House briefing

al months ago proposing a covert CIA operation to aid candidates favored by Washington. One source says the idea was to help such candidates—whose opponents might be receiving covert backing from other countries, like Iran—but not necessarily to go so far as to rig the election. But U.S. lawmakers from both parties raised questions about the idea when it was sent to Capitol Hill. In particular, House Minority Leader Nancy Pelosi “came unglued” when she learned about what one source described as a plan for “the CIA to put an operation in place to affect the outcome of the elections.” Pelosi had strong words with U.S. National Security Adviser Condoleezza Rice in a

the election. This situation has posed difficult dilemmas about what action, if any, the U.S. should take in response. In the final analysis, we have adopted a policy that we will not try to influence the outcome of the upcoming Iraqi election by covertly helping individual candidates for office.” A senior U.S. official hinted that the Administration scaled back its original plans: “This was a tough call, we went back and forth on it in the U.S. government. We consulted the Hill on this question ... Our embassy in Baghdad will run a number of overt programs to support the democratic electoral process,” as the U.S. does elsewhere in the world. —By Timothy J. Burger and Douglas Waller



“We are safer, the region is safer, the world is safer without him.”

IYAD ALLAWI, interim Prime Minister of Iraq, speaking at the White House about the war that drove Saddam Hussein from power

“We have traded a dictator for a chaos that has left America less secure.”

JOHN KERRY, Democratic candidate for U.S. President, at a campaign stop in New York City

“I want to say personally and directly I’m sorry . . . This was an error made in good faith.”

DAN RATHER, news anchor on the U.S. TV network CBS, during an on-air apology in which he said CBS could no longer vouch for the authenticity of documents that supported a report questioning President George W. Bush’s service in the National Guard

“Its composition must reflect today’s reality, not perpetuate the post-World War II era.”

LUIZ INACIO LULA DA SILVA, President of Brazil, in an address to the United Nations General Assembly, calling on members to reform the Security Council by giving permanent seats to his country as well as Germany, India and Japan

“I’ve never seen a man in my life I wanted to marry. And I’m going to be blunt and plain: if one ever looks at me like that, I’m going to kill him and tell God he died.”

JIMMY SWAGGART, U.S. televangelist, discussing gay marriage on his television show. He later apologized, saying the remarks were made in jest

“I realize now that it is no more dangerous to be here than it is to be in New York.”

MADONNA, pop star, speaking about Israel at a gathering of followers of Cabala, the Jewish mysticism she practices, during her trip there for the Jewish New Year

“Rude, vile pigs! Do you know what that means? Rude, vile pigs! That’s what all of you are!”

ELTON JOHN, musician, on being greeted by pushy photographers and TV crews when he arrived in Taipei

NADER: NOT GOING AWAY

The current state of play in Ralph Nader's battle for ballot access

ON THE BALLOT

- Issue settled
- Being challenged in court
- Appeals/challenges expected

OFF THE BALLOT

- No ballot access
- Write-in votes accepted
- In court



Petition pending in Hawaii

Source: www.votemader.org

President George W. Bush's lead in the polls may be shrinking, but another obstacle to John Kerry's chances of winning the White House is not: Ralph Nader. The erstwhile champion of consumer rights turned festering thorn in the Democrats' side has managed to get on the ballot as a third-party candidate in 37 states, including Florida, where he won more than 97,000 votes in 2000. Bitter Democrats complain that if the far-left Nader hadn't run that year, Al Gore, who lost by just 537 votes in Florida, would be President today.

Fearing another Nader nightmare in 2004, Democrats have mounted court challenges to his ballot petitions in states across the country. Nader angrily decries the tactic as anti-democratic and illegal, but in most cases it has failed. Which means that in key toss-up states like New Mexico, Nevada, Pennsylvania and, once again, Florida, Nader could siphon from Kerry enough liberal votes to deliver the election to Bush. In the latest TIME poll, Nader draws a surprisingly high 5% of the vote nationally. "Ralph Nader played a spoiler role in the 2000 election, and he could just as easily do it again," complains Jano Cabrera of the Democratic National Committee. Nader says he's running because the Democratic Party is no longer any different from the G.O.P. Both, he says, are beholden to big corporations. He denies reports—confirmed by Republicans themselves—that the G.O.P. has helped fund and support his campaign in the hope of hurting Kerry. And Nader appears to have no regrets about the hard-to-dispute claim that he cost the Democrats the White House four years ago. Asked last week if the country would be better off if Gore had won, the usually dour Nader cracked a smile. "George W. Bush is an easy act to follow, or precede," he said. "Anyone would be a better President." Then he denounced John Kerry and promised to stay in the race until Election Day.

—By James Carney



SHAUN HEARLEY/REUTERS

Playing by the Book

TWO DAYS BEFORE THE Sept. 20 election that made him Indonesia's President-elect, Susilo Bambang Yudhoyono traveled to the campus of the Bogor Institute of Agriculture for a key meeting. Leaving a group of aides waiting outside, the 55-year-old former four-star general sat down in front of a phalanx of six professors. Over the next three hours, he parried questions about his recently completed thesis for a Ph.D. in agro-economics, entitled: *Agrarian and Rural Development as a Strategy to Eradicate Poverty and Unemployment*. "We thought it was just going to be a few token questions," says Yudhoyono adviser Rachmat Witoelar. "But they really grilled him."

The story says a lot about the man Indonesians overwhelmingly chose to lead them two days later. Yudhoyono is an intellectual heavyweight—his personal library contains 13,000 volumes, and he's well



Yudhoyono waves to supporters in Jakarta during the campaign

read in history as well as in economics—and possesses a remarkable discipline that allowed him to finish and defend his doctoral thesis in the middle of a presidential campaign. Yudhoyono downplayed those

Continues ▶

IN JEANNE'S WAKE



The latest plague to beset Haiti, where tropical storm Jeanne left at least 1,500 dead and some 300,000 homeless, is hunger. Flood victims received free bags of water in Gonaïves, while elsewhere in this northern port city U.N. troops fired smoke grenades to protect food convoys that had come under attack. Meanwhile, the U.S. promised more than \$2 million in disaster aid after being criticized for its initial pledge of just \$60,000.

JOHN L. LAMPERT/REUTERS

bookish qualities on the stump, where he touted a firmness acquired during his 29-year military career. Unlike incumbent President Megawati Sukarnoputri, he told voters, he wouldn't shy from tackling the country's social and economic problems.

But some question Yudhoyono's decisiveness. Diplomats and other foreign observers are especially concerned about how Yudhoyono will deal with Islamic militancy in Indonesia. At least 10 people died in an explosion outside the Australian embassy in Jakarta on Sept. 9, an attack

blamed by police on the same Muslim extremists who engineered the 2002 Bali bombings that left 202 dead. It served as a grisly reminder of the threat militants still pose.

Yudhoyono is "a cautious man, and just like his predecessors, will have to tread carefully so as not to offend the powerful Muslim lobby," says Damien Kingsbury, an Indonesia specialist at Australia's Deakin University. Analysts say that many Indonesians voted for Yudhoyono because they thought he offered the best hope of turning around the faltering economy, in large part by enticing skittish foreign investors back to the country.

Such investors will want to see reforms, which won't be easy, given that Yudhoyono's party controls only 57 seats of the 550-strong parliament. If legislators block efforts to overhaul the judiciary and stem corruption, economic reform could easily stall. And it doesn't take a Ph.D. to figure out that unless the government can stop the bombings, those investors will keep heading for the exits.

—By Simon Elegant



Indonesia's President-elect joins prayers



Khatami, at a military parade in Tehran, isn't backing down

vian, argued that "Iran cannot be subjected only to the limitations of the treaty and be deprived of its privileges." President Mohammed Khatami even hinted that if its hand is forced, Iran might leave the NPT. Meanwhile, Israel agreed to buy 500 so-called bunker-busters from the U.S., which Israeli security sources said could be used

against an underground Iranian nuclear facility. Tehran said it would react "most severely" to any Israeli strikes. Unless Iran makes progress in meeting IAEA requirements, its case could land at the U.N. Security Council following an IAEA meeting on Nov. 25. But such a move might not result in the imposition of sanctions. Even countries in favor of a Security Council referral agree that an isolated Tehran might simply end cooperation with U.N. inspections altogether. A U.S. State Department official said that the Security Council would likely only require Iran to suspend its enrichment activities, much as the IAEA has already done, but with a little more clout. —By Andrew Purvis and Nahid Siamdoust

NUCLEAR SHOWDOWN

Days after the U.N. International Atomic Energy Agency (IAEA) approved a resolution demanding that Iran suspend all uranium-enrichment activities, a defiant Tehran announced that it had started the conversion of some 37 tons of uranium oxide (yellowcake) into UF₆ gas—the feed material for enriched uranium. Iran denies its enrichment efforts are part of a weapons program, claiming they are for electricity generation, which the Nuclear Non-Proliferation Treaty (NPT) permits. A senior official at Iran's Supreme National Security Council, Hossein Mousa-

Toxic Politics

UKRAINE A criminal inquiry and a parliamentary commission will investigate claims by opposition presidential candidate Viktor Yushchenko that he was poisoned. Yushchenko, who is in a close race with Prime Minister Viktor Yanukovich for elections on Oct. 31, became ill on Sept. 6. Doctors at a Vienna clinic where he underwent tests could neither confirm nor rule out poisoning.



VICTOR YUSHCHENKO—AP

Join the Club

TURKEY Ankara moved a step closer to joining the E.U. as European Commissioner for Enlargement Günter Verheugen, following a meeting with Turkish Prime Minister Recep Tayyip Erdogan (above) in Brussels, announced that there were "no more obstacles" to the start of accession talks. Crucially, Erdogan gave assurances that a revised penal code to bring Turkey

WORLD WATCH

By PENNY CAMPBELL

in line with E.U. human-rights law would be adopted—without a controversial clause criminalizing adultery that drew criticism from Brussels and threatened to derail the talks. Verheugen is to make a recommendation on whether negotiations on Turkish membership should start in an Oct. 6 report. E.U. leaders will make a final decision in December.

Moving Out

SYRIA In a partial concession to the U.N., Damascus began withdrawing some 300 of the estimated 16,000 troops it has stationed in Lebanon since 1976. A Sept. 2 U.N. Security Council resolution called for the withdrawal of all foreign troops from Lebanon. The withdrawal was part of a wider redeployment exercise involving a total of 3,000 soldiers.

The Thaw Continues

LIBYA In a further sign of Tripoli's

diplomatic rehabilitation, E.U. ambassadors agreed to lift both trade sanctions and a ban on arms sales to Libya. The decision, which must be ratified at a meeting of E.U. Foreign Ministers in mid-October, came two days after U.S. President George W. Bush formally lifted America's own economic sanctions. Libya remains on the U.S. list of states that sponsor terrorism.

MEANWHILE IN THE U.S. ...

A Bottled Debate

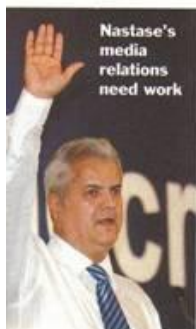
The makers of Heinz tomato ketchup defended the impartiality of their product in response to a suggestion by a Republican Assemblyman in New York State that buying the stuff would benefit the campaign of Democratic presidential candidate John Kerry. Kerry's wife Teresa Heinz Kerry was first married to the late John Heinz, a descendant of the H.J. Heinz Co.'s founder. The Pennsylvania-based company said that its ketchup is "enjoyed by Republicans, Democrats and Independents alike"—and that neither Kerry nor his wife hold a significant number of shares in the firm.



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SAVING THE MESSENGER

ORPHANS ARE OUT, JOURNALISTS are in. After years of lambasting Romania for mistreating its institutionalized children, the European Commission has a new cause: media freedom. The annual Commission report on Romania's progress toward accession, due out Oct. 6, will come down hard on the country for harassment and intimidation of journalists and interference in editorial content, says a Bucharest-based diplomat familiar with the draft. The report will note that few perpetrators of violence against journalists are being brought to justice, and that growing concentration of media ownership in the hands of political and business elites leads to self-censorship. The report apparently will



Nastase's media relations need work

not cite specific media violations. But examples are not hard to find, says Mircea Toma, director of the Bucharest-based Media Monitoring Agency. By the agency's count, at least 29 journalists have been threatened or attacked in Romania since the beginning of the year.

The government denies meddling, saying Parliament controls public television and radio, and private firms everything else. But E.U. officials say it needs to take the criticism seriously. Last December, Prime Minister Adrian Nastase was flippant about attacks. "If a simple article would be a reason for fighting," he joked, "then I should have beaten a journalist per day." The E.U. isn't laughing.

—By Jan Stojaspal

Polish roads are filling up with imports

Poland: New Car Sales in Free Fall

Used cars from Western Europe have been flooding into Poland since it joined the E.U. on May 1, delighting consumers but worrying authorities. New car sales since accession have dropped by almost 20% from the same period last year. Such trade used to be stymied by a ban on cars that didn't meet exhaust emission standards, and wrecks that could no longer be driven, but with E.U. regulations ending the restrictions, nearly 400,000 used cars entered Poland between May and August—25 times more than in the first four months of the year. With car-repair costs around four times lower in Poland than in Germany, Polish buyers can import a damaged car and fix it up. "Long term, it will cause turmoil in the car market," grumbles Poznań-based car salesman Jacek Pietrzyk. The government fears losing revenue: imported cars are still subject to a tax based on their declared value, but buyers and sellers understate that amount. The Finance Ministry is considering measures to stem the flow of cars, such as registration fees and technical tests, but for the moment, it's an open road for used cars.

—Reported by Tadeusz L. Kucharski

BIZ WATCH
By ANGELA LEUKER

INDICATORS

HIDING THE RED INK

The E.U. threatened Greece with legal action for underreporting its budget deficit between 2000 and 2003. Revised data put the deficit for the period above the euro-zone ceiling of 3% of GDP. Meanwhile, France unveiled its 2005 budget aimed at bringing its own deficit under the limit for the first time since 2001.

JAMMED SIGNAL

Iran's parliament approved a bill giving the legislature a veto over majority foreign-owned investments in the country. The vote cast doubt over Turkey's leading cell-phone operator Turkcell's \$3 billion deal to begin operating Iran's second cell-phone network.

LONG-TERM INTEREST

Britain's Barclays announced it was in talks to buy a majority stake in Absa, South Africa's biggest retail bank, its first such investment there since 1986.

A BURNING ISSUE

A \$280 billion U.S. trial began against cigarette makers. The Justice Department claims they hid smoking's harmful effects for 50 years. Tobacco firms deny it.

OIL CRISIS? WHAT OIL CRISIS?

Rising oil prices? No problem—they won't stifle the current recovery in Europe, the U.S. or Japan. At least that was the soothing message delivered last week by the Paris-based Organization for Economic Cooperation and Development (O.E.C.D.). Oil prices continue to spike—last week they briefly hit \$49 per bbl. in New York, and a study by the International Energy Agency estimates that

a sustained \$10 rise in oil prices knocks about 0.5% off the euro zone's economic growth. But Jean-Philippe Cotis, the O.E.C.D.'s chief economist, says that unlike the oil shocks of the '70s and early '80s—when the price was almost double in today's dollars—the increases aren't prompting inflationary wage demands, and so far haven't hurt consumer demand. "The impact is modest," Cotis says. His view was confirmed by the U.S. Federal



If you have to ask the price...

LOAN STARS

2003 household mortgage debt as a percentage of GDP

Netherlands	99.9%
U.K.	63.8%
U.S.	63.7%
Germany	54.3%
France	24.8%
Italy	13.3%

SOURCE: IMF. Figures are approximate.

Reserve, which raised a key interest rate last week in a sign that it too believes the U.S. economy is rebounding. —By Peter Gumbel

THE BOTTOM LINE "Families ... were rudely greeted with a stunt more fitting of a burlesque show." **MICHAEL POWELL**, chairman of the U.S. Federal Communications Commission, fining CBS network a record \$550,000 for Janet Jackson's Super Bowl breast exposure

NOTEBOOK



“Lisbon is a big failure.”

ROMANO PRODI, outgoing European Commission President, on Europe missing growth targets set at a 2000 summit in Portugal

“There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation.”

COLIN POWELL, U.S. Secretary of State, after meeting with Chinese officials in Beijing last week

“Taiwan is absolutely a sovereign, independent nation.”

CHEN SHUI-BIAN, President of Taiwan, responding to Powell's comment

“If this isn't good for my heart, I don't know what is.”

BILL CLINTON, former U.S. President, on hitting the campaign trail with John Kerry seven weeks after heart surgery

“This is not about Gaza—this is the opening of a major debate about Israel's soul.”

ASHER SUSSER, director of the Moshe Dayan Center for Middle Eastern and African Studies, responding to the vote in Israel's parliament to remove Jewish settlements from Gaza and the West Bank

“This was the outcome of major neglect by some parts of the multinational [forces].”

IYAD ALLAWI, Prime Minister of Iraq, criticizing international coalition forces for the deaths of 49 Iraqi national-guard recruits who were executed at a false checkpoint outside Baghdad last week

“It is apparent to most of us in broadcasting that your father got you your job.”

HOWARD STERN, U.S. talk-radio host, in a surprise call-in to a radio show on which U.S. Federal Communications Commission Chairman Michael Powell, son of Secretary of State Colin Powell, was a guest. Stern's show has been fined twice by the FCC for obscenity

“The Prophet Muhammad had long hair. We have no problem with it.”

NAVID MAJD, spokesman for the Iranian soccer federation, after the country's players were barred from sporting hair bands and sculpted beards, which it deemed overly Western

Sources: Financial Times; AP; New York Times; Washington Post; New York Times; Guardian; AP; Nationwide News

AN OMINOUS SIGNAL?

OSAMA BIN LADEN has a flair for dramatic timing. In October 2001, he materialized on American TVs hours after bombs began falling on Afghanistan; three years later, he surfaced on videotape just four days before the U.S. presidential election. It was not exactly the Osama October Surprise that some Democrats had

used both hands, belying earlier reports that one of his arms had been injured in Afghanistan. Gone were the fatigues and the AK-47; bin Laden wore a golden robe, sat behind a desk and read from notes. The media-conscious terrorist leader seemed to be trying for the image not of a soldier but of a statesman—or at least a TV host.

At times, bin Laden attacked Bush in language straight from the U.S.



The bin Laden tape aired on the Arabic-language news network al-Jazeera

imagined—a perp walk in an orange jumpsuit—but it rattled America and roiled the campaign just the same.

Bin Laden's core message was familiar: if the U.S. did not change its behavior toward the Muslim world, it would get hit again. “Your security is not in the hands of Kerry or Bush or al-Qaeda,” he warned. “Your security is in your own hands.” He tried to rationalize al-Qaeda terrorism—and court Muslim support—by airing grievances against the West and Israel.

But the messenger was at least superficially different. Where he earlier looked tired, he now seemed healthy and well groomed, if a bit thinner. He

presidential campaign. “Bush is still deceiving you and hiding the truth from you,” he said in denying the President's repeated charge that Islamic extremists “hate freedom.” (“Let him tell us then why did we not attack Sweden,” bin Laden riposted.) He likened Bush and his father to Middle Eastern despots who hand down power to their children. And in a dig described by one U.S. official as “more personal” than previous criticisms, he taunted Bush with the fact, popularized by Michael Moore's *Fahrenheit 9/11*, that the President sat for seven minutes in a classroom with elementary schoolkids reading *My Pet Goat* after learning

about the 9/11 attacks. "This gave us three times the time needed to carry out the operations, thanks be to God," he said.

Although FBI officials said they saw no actionable intelligence in the video, there were differing opinions in Washington as to whether bin Laden had issued a new fatwa, a religious pronouncement summoning supporters to violence. Some intelligence officials downplayed this interpretation, while others sounded the alarm. "People are worried," says an Administration official. "They're trying to see if there's anything in it that is code signaling that now is the time." The setting—in front of a well-lit backdrop—gave no immediate clue to bin Laden's whereabouts. But the tape was at least easier to date. A reference to 1,000 U.S. dead in Iraq suggests the tape was made within the month; a date stamp on the tape read 10 RAMADAN (Oct. 24), but it could have been faked.

Unlike the reaction to bin Laden's earlier tapes, however, the 24-hour-media buzz was not about the tape's national-security implications but about its political ones. Would the tape help Bush by reminding voters of 9/11? Or would it help Kerry

by reminding voters that bin Laden remained at large? Both candidates immediately delivered statements saying that Americans were agreed in their opposition to the terrorists. But the tape quickly became a weapon in their battle. On a Wisconsin radio station Kerry, repeating a longtime criticism, said that Bush "didn't choose to use American forces to hunt down Osama bin Laden" at Tora Bora in 2001. Bush shot back at a rally in Ohio that Kerry's criticisms were "especially shameful in light of the new tape from America's enemy."

It was impossible to determine, of course, whether bin Laden wanted to tilt the election, signal further attacks or simply enhance his standing in the Muslim world by showing up on global TV screens. "Take it as one possibility," said a well-placed U.S. official, that the al-Qaeda leader's "aim is to influence not elections but policies." He accomplished at least one thing for certain: to remind us that the winner, whoever he is, has a major piece of unfinished business to attend to.

—By James Poniewozik. Reported by Timothy J. Burger and Elaine Shannon

How Many Have Died?

British medical journal the *Lancet* made a dramatic late entry into the U.S. election fray, fast-tracking publication on its website of a study saying that about 100,000 "excess" Iraqi deaths have occurred since the war began in March 2003. In the first scientific study of the human cost of the war and occupation, the deaths were attributed to "invasion violence," mostly U.S.-coalition air strikes. Although the figure is well above previously published estimates (which have ranged up to 30,000) the researchers, led by Les Roberts of the Johns Hopkins Bloomberg School of Public Health, say it is conservative.



A car-bomb casualty arrives at a hospital in Mosul last month.

"We have been extremely careful not to exaggerate," says Roberts. His team carried out a survey to compare mortality during the 14-month period before the invasion with nearly 18 months just after it. In September, members conducted interviews with 988 randomly selected Iraqi households in 33 statistically representative sample clusters around the country, then extrapolated for the entire population through a complex statistical process. Richard Peto, professor of medical statistics and epidemiology at the University of Oxford, and other experts have called the methodology sound. But Roberts' report comes with caveats: for example, the researchers noted that their "confidence interval" (a kind of statistical measuring stick), is quite wide, giving an estimated range of 8,000 to 194,000 excess deaths. That's one reason why Roberts and his research colleagues at Al-Mustansiriyah University in Baghdad and Columbia University in New York City want an independent body such as the World Health Organization to examine their findings. "This is a very interesting and a very brave study," says John Sloboda, a psychology professor and co-founder of Iraq Body Count, a British online database. While his group counts "actual Iraqis" killed, based on media reports—and gives a figure of about 15,000—Sloboda calls the Johns Hopkins study "not totally inconceivable."

The last Iraqi interviews took place on Sept. 20, and the completed study went to the *Lancet* on Oct. 1 and on to peer review—a fast turnaround for scientific work. Roberts concedes that he wanted the study released before the U.S. election and had hoped to prompt candidate commitments to protect civilian lives: "That is what we'd most like, and that was our goal in getting this out." In Iraq, meanwhile, it was business as usual: at least seven people died in a Baghdad car-bomb blast on Saturday, and the hostage ranks continued to swell.

—By Maryann Bird



Until last week, Titan's surface had been hidden behind a thick haze, but the Cassini spacecraft's first fly-by offered an intimate look at Saturn's largest moon. NASA scientists are scratching their heads over its surprisingly smooth surface, which is marked by long streaks (possibly lava-like flows) and ridges (perhaps shaped by wind). The markings raise the possibility that the surface is more dynamic than previously thought.

KARADZIC'S PAPER CHASE

THE NOVELIST GENERATING the most buzz at Belgrade's international book fair was notably absent during last week's page-peddling. Former Bosnian Serb leader Radovan Karadzic, who was indicted by the U.N. war-crimes tribunal for genocide in 1995, has used his years on the run to focus on writing romance novels. The "Butcher of Bosnia" penned a 416-page bodice-ripper, titled *Miraculous Chronicles of the Night*, that quickly sold out all 1,200 copies.

"If we had 50,000 copies at the fair, we would have sold them all," gushed Miroslav Toholj, Karadzic's publisher. Toholj explained that his publishing company only printed a small number of copies because critics have panned Karadzic's previous books of poetry. "I'm surprised how good he is at writing fiction," says Serbian author Branimir Crncevic.

This literary makeover couldn't have come at a better time for the Karadzics. The European Union last month ordered the freezing of Radovan's assets, and royalties for his autobiographical love story—about a wrongly-imprisoned psychiatrist in pre-war Sarajevo—will go to his wife. Although Toholj claims that he obtained the manuscript through an intermediary and doesn't know where Karadzic is, one thing is certain: with a \$5 million bounty on his head, the "Butcher" won't be toting his laptop to the local café to write the sequel. —By Julie Rawe and Dejan Anastasijevic



Musharraf calls for the withdrawal of troops from Kashmir, right



A WHOLE NEW LINE

Pakistani editors invited to break the Ramadan fast last week with President Pervez Musharraf were treated to palm dates, curried pastries—and a radical new approach to Pakistan's bitter, 57-year-old dispute with India over Kashmir. Pakistan has long insisted on a plebiscite among Kashmiris to determine whether the people of the troubled Himalayan region should be part of India or Pakistan. For just as long, India has refused to hold such a referendum. To break the gridlock, Musharraf proposed that Kashmir be divided up into seven regions based on geography and ethnicity—and not

necessarily on religion. (Muslims are in a majority in most parts of Kashmir.) Next, he said, both India and Pakistan would withdraw troops from these mini-regions, one by one. It would then be left up to the Kashmiris, along with New Delhi and Islamabad, to haggle over whether they wanted India and Pakistan to jointly administer the territories or place them under U.N. control. Could it work? Former Indian Foreign Minister Jaswant Singh said: "Mapmaking has to stop in South Asia. Such attempts would not be acceptable [even] in disguise." Still, it's a start, and if nothing else, the proposal should give momentum to talks later this month in New Delhi between India's and Pakistan's Prime Ministers. —By Tim McGirk

Fallout Over Funds

LATVIA Prime Minister Indulis Emsis' coalition government resigned after legislators rejected his proposed 2005 budget. His coalition—the Baltic state's 10th post-Soviet government—held just 47 seats in the 100-member parliament.

Counting in Kosovo

SERBIA AND MONTENEGRO All 660,000 votes cast in Kosovo's legislative elections will be recounted. Observers from the Organization for Security and Cooperation in Europe, acting on complaints by political parties, found inaccuracies in the count. Earlier partial results showed no party had enough support on its own to govern Kosovo, which has been under U.N. supervision since 1999. Serbs boycotted the poll, aiming to halt a move toward independence by the ethnic Albanian majority.

Kabul Kidnappings

AFGHANISTAN In the first abductions of foreigners in Kabul in recent years, three workers for the U.N.-Afghan commission overseeing the Oct. 9 presiden-

WORLD WATCH

By MARYANN BIRD

tial vote count were snatched from a car. They were identified as Annetta Flanagan of Northern Ireland, Shqipe Habibi of Kosovo and Angelito Nayan of the Philippines. Responsibility for the abductions was claimed by a Taliban splinter group.

Suffocation Inquiry

THAILAND Prime Minister Thaksin Shinawatra pledged that an independent inquiry would investigate the deaths of 78 Muslim men who were crushed and suffocated to death in military custody, and that "wrongdoers" would be punished. Several bombs shook Thailand's mainly Muslim south, killing at least two people, following the deaths of the 78, who had been



Thai soldiers after bomb blast

crammed into army trucks after a violent protest by separatists.

Rape Sentences

PITCAIRN ISLAND Four men on tiny Pitcairn Island in the South Pacific were sentenced to up to six years in prison for rapes and indecent assaults on women and girls over four decades. They included Mayor Steve Christian, who was sentenced to three years for five rapes. All are appealing their convictions.

MEANWHILE IN RUSSIA ...

Hungry for Art

Lenin and Stalin have long been toppled, but how to fill their plinths? To get out of that cultural pickle, Muscovites have opted for a real pickle—or at least a big bronze one meant as "a monument to a truly Russian snack." Having largely missed out on Pop Art, Russians seem hungry to catch up. Other street art sprouting up: a potato, a tomato and, er, a chunk of processed cheese.



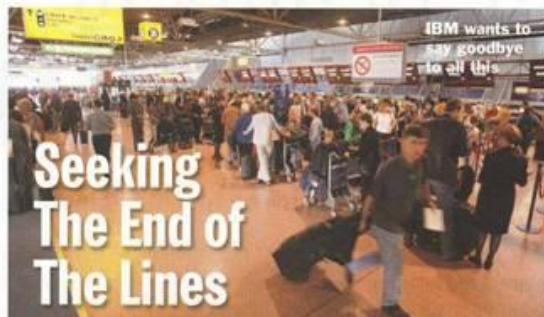
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27 YEARS AGO IN TIME

The 13,000-year-old, hobbit-sized hominids found on an Indonesian island add a new branch to the sprawling human family tree first theorized by **RICHARD LEAKEY** and other scientists after a flurry of finds in Africa in the 1970s.



Named after the Beatles' song *Lucy in the Sky with Diamonds*, Lucy was a small creature, not much more than a meter tall, with a brain capacity about a third of that of modern man. Lucy's skeleton gave scientists their best clues yet to the proportions of *Australopithecus*, and revealed her to be surprisingly short-legged. But the find left no doubts that she walked erect... As recently as a decade ago, scientists talked about a direct, unbranching line of descent... Now all that has changed... While his *Australopithecus* cousins foraged or scavenged, *Homo habilis* began to make tools and to hunt. Both actions accelerated his evolution... "There have been thousands of living organisms," [Leakey] says, "of which a very high percentage has become extinct. There is nothing, at the moment, to suggest that we are not part of that same pattern."



Seeking The End of The Lines

Air travel without long queues and gridlocked terminals? It's a frequent flyer's dream. But IBM may be on the verge of making it a reality. The computer maker's Paris office this week begins marketing the PaxFlow Simulator, a hardware-software system it claims can predict the number of passengers at particular locations and times in an airport one week in advance, with accuracy levels of more than 90%. The simulator, which IBM is demonstrating to potential customers, works by combining data on flight reservations, airport layouts and staff work schedules. It then calculates the expected passenger pressure and staffing requirements, giving airport bosses the chance to make manpower changes. With European airports expected to see passenger traffic double by 2020, several, including one that's considering a pilot scheme, have expressed interest in the approximately \$1 million system (IBM won't say which at this point). "Airports are [likely] to become the next major bottleneck," says Ronan Anderson of the Airports Council International Europe. "Anything that alleviates that is more than welcome." Agreed. Now can IBM do something about jet lag?

BIZ WATCH
By AATISH TASEER

INDICATORS

TWO STEPS FORWARD...

Royal Dutch/Shell announced plans to merge its twin holding companies and their boards into one Netherlands-based firm, part of the restructuring prompted by its January reserves booking scandal. But the Anglo-Dutch oil major also said that a further 900 million bbl. of reserves were under review.

HITTING THE BRAKES

China raised interest rates for the first time in nine years in an effort to cool economic growth. The hike marked a move away from more administrative measures aimed at curbing investment.

PRICING SCREENED

The European Commission ended an antitrust probe into six Hollywood studios after they agreed to scrap contract clauses with European pay-TV broadcasters guaranteeing favorable terms.

LOOKS LIKE A BLUFF

Cyber criminals attacking British Internet betting site Blue Square threatened to distribute child pornography in the company's name if it didn't hand over \$9,000. The site declined, and the threat receded.

MORE FUN WITH ACCOUNTING

When it comes to interpreting the E.U.'s stability and growth pact, there are no limits to French and German creativity. With both countries at risk of breaching the pact's rules—demanding euro zone countries' budget deficits remain below 3% of GDP—for the fourth straight year, Paris and Berlin last week called for change. French President Jacques Chirac and German Chancellor Gerhard Schröder labeled the European Commission's reform proposals—taking greater account of a country's economic situation—as "not sufficient."

Instead, the duo called for states to be able to exclude from budget deficit calculations some R. and D. spending and contributions to the E.U. The plans, which would have to be approved by member states, worry the Commission. "It should be possible to spend more on R. and D.," says a spokesman, "but not outside the limits of the pact." Berlin had other plans as well. After admitting it had abandoned proposals to mine billions of euros from partly state-owned Deutsche Telekom and Deutsche Post to help shrink its deficit, re-

OVER THE SHOP

Average annual rent per sq. m. of retail space in some of the world's top spots

Fifth Avenue (New York City)	\$10,226
Champs Elysées (Paris)	\$7,648
Causeway Bay (Hong Kong)	\$6,126
Oxford Street (London)	\$5,564
Grafton Street (Dublin)	\$4,103

SOURCE: Cushman & Wakefield, Realtors & Broker. Some figures represent maximum figures at each location.

ports claimed Germany was considering tapping the state's nursing care insurance fund. Is that healthy? —By Adam Smith

THE BOTTOM LINE "This is not a cosmetic change." **RECEP TAYYIP ERDOGAN**, Turkey's Prime Minister, on the New Turkish Lira (YTL), which launches in January 2005. The YTL will be worth about 1.5 to the dollar, against today's roughly 1,500,000 lira to the dollar

N O T E B O O K

OUT OF THE PICTURE?

RUMORS SWEEPED through Asian financial markets last week that Kim Jong Il, North Korea's despotic leader, had been shot in the head by his nephew during a palace coup. It was quickly dismissed as pure fantasy, but reports continue to surface that the ubiquitous propaganda portraits of Kim have been mysteriously

disappearing from Pyongyang's public places. In an interview with Fuji Television, influential Japanese lawmaker Shinzo Abe underscored a general sense of foreboding, saying: "I think we should consider the possibility that regime change could occur." The reports of the Dear Leader's demise are probably exaggerated; Kim was on the job as recently as Nov. 22, when he visited a unit of the Korean People's Army and listened to soldiers reciting poetry, according to the Korean Central News Agency. Still, pressure on Kim's



require outside help to feed more than a quarter of its estimated 23 million people next year, the World Food Program warned last week. Professor Ruediger Frank, a North Korea specialist at the University of Vienna, suggests that trimming Kim Jong Il's personality cult could be a sign that the country is paving the way for economic reforms and possibly for a more collective form of leadership. That might be true, but it's unlikely to stop the rumor mill anytime soon. —By Donald Macintyre. With reporting by Matthew Forney, Marian Im and Jacco Zwetsloot



“If we are tough on crime and on terrorism as Labour is, then I think Britain will be safer under Labour.”

PETER HAIN, Leader of Britain's House of Commons, following the annual Queen's speech to Parliament, which this year was dominated by crime and security issues

“If he goes around saying we are safe from terrorism under Labour, that is a challenge to the terrorist.”

MICHAEL ANCRAM, Britain's Conservative Party Shadow Foreign Secretary, in response to Hain

“Unrest and terrorist acts as well as insufficient preparations at the administrative, technical and political levels necessitate the date be reconsidered.”

PETITION, signed by 12 of Iraq's leading political groups, demanding a six-month postponement of the election scheduled for Jan. 30; the electoral commission says the vote will go ahead as planned

“I don't think it's a failure; it's a success. In this case, it was just something that worked better than other alternatives.”

DONALD TRUMP, real-estate mogul, on his casinos' filing for bankruptcy for a second time

“Some of you people have been illegal for a long time.”

THOMAS MENINO, mayor of Boston, to a group of Native Americans in a ceremony at which he requested the repeal of a 1675 law authorizing the arrest of any Indian found within city limits

“If I didn't want to support the President's position, I wouldn't be in the Administration.”

DONALD RUMSFELD, U.S. Defense Secretary, responding to a New York Times editorial that accused him of lobbying against a controversial intelligence reform bill backed by President George W. Bush

“If we are not recompensed, other countries will not follow our example.”

MUAMMAR GADDAFI, leader of Libya, claiming that his country has not been adequately rewarded for pledging to renounce its weapons program

Sources: Times (2); Agence France Presse, Associated Press, Boston Globe, Reuters (2)



FINBARR O'REILLY—REUTERS

A group of rebel militiamen on patrol in Sudan

How to Spin a Catastrophe

FOR TWO WEEKS, IT LOOKED as if a delicate cease-fire might mark a turning point in Sudan's bloodletting. But the calm broke on Nov. 23—a long day full of just the kind of killing, hypocrisy and indifference that has defined the conflict since it

began in February 2003. First, rebel fighters attacked police stations in Tawila. In response, a government plane bombed the town, forcing hundreds of civilians and aid workers to flee. To date, most of the violence, which has killed an estimated

70,000 people and left more than 2 million homeless, has been carried out by members of the Janjaweed, an Arab militia that has received financial and military support from the Sudanese government to quell an insurgency by the region's

non-Arab Muslims. The day the cease-fire ended, Sudan's President Omar al-Bashir met with TIME at his palace in Khartoum and insisted that the international outcry over his country's rupture was a misunderstanding. There is "no reality," he said, to claims that the conflict is a genocide, as U.S. President George W. Bush and Secretary of State Colin Powell have said. It is "a tribal conflict," said al-Bashir, who came to power in a 1989 coup. The Janjaweed are merely "outlaws or gangsters who are used to being on horseback and holding arms or guns. They are bandits," he said. "It was started by this rebel group that tried to avenge losses against another tribe. And naturally, when one tribe attacks another tribe, there will be losses."

Two days later, the U.N. suspended much of its relief efforts in Darfur because of the continued violence. —By Sam Dealey

EPIC COMPLAINTS

Legend has it that Alexander the Great, who conquered the fabled Babylon and India in the 4th century B.C., was a ferocious warrior. But was he also bisexual? In Oliver Stone's \$150 million **ALEXANDER**, the Greek hero, played by Colin Farrell, has a gay lover and is seen kissing several men on the lips. The depiction has outraged the Greeks. A team of lawyers who have appointed themselves guardians of Greece's classical heritage has threatened to sue Stone if he doesn't add a disclaimer stating that the movie, which opens around Europe this week, is fictional. "This isn't an anti-gay protest," says the group's spokesman, Yannis Varnakos, who

admits he has yet to see *Alexander*. "It's about falsifying history," Stone has defended the film, which also stars Angelina Jolie as the young emperor's mother, saying that Alexander's bisexuality "may offend some people, but sexuality in those days was a different thing."

It's not the first time Hollywood has angered Greeks by adapting their history for the big screen. **TROY**, which starred Brad Pitt as Achilles, was panned by the Greeks when it came out earlier this year; critics said the film's plot was a travesty of the *Iliad*—the poem on which the legend is based—and that its set bore little resemblance to the craggy hill town believed by Greeks to be the real Troy. Disney's 1997 animated **HERCULES** was lambasted for historical inaccuracies such as its protagonist's slaying of the Minotaur—a feat normally attributed to Theseus. However, it seems unlikely that Hollywood will give up artistic license—even in the face of Greeks bearing writs. —By Anthea Carassava

FROM LEFT: WARNER BROS./REUTERS; WARNER BROS.; WALT DISNEY PICTURES



JOLIE AND FARRELL

PITT

DISNEY'S HERCULES

ARNOLD'S GROUPIES

NATURALLY, CALIFORNIA Governor Arnold Schwarzenegger supports a constitutional amendment allowing foreigners to be President. But he's not actively campaigning for it; he doesn't need to. On Nov. 15, a year after he was sworn in, a \$20,000 television ad ran in five California cities cheerfully urging residents to "help us amend for Arnold!"



Morgenthau-Jones

Who is behind this compassionate crusade? Not the Republican machine or the Austrian government, but former college roommates named Lissa Morgenthau-Jones, a philanthropist in Woodside, California and Mimi Chen, a stay-at-home mom in Los Angeles, who just cannot get enough of the Governor. The women graduated from Princeton in 1979 and went on to have careers well suited to championing a cause: Morgenthau-Jones was a money manager and Chen was a DJ. When Schwarzenegger ran for Governor, both women, who by then had left their jobs, volunteered to help. In August they launched *AmendforArnold.com*. The battle has been joined. After seeing the ads, Alex Jones, a Texas-based radio-talk-show host, launched *ArnoldExposed.com*. His group Americans Against Arnold alleges that the Governor is "a megalomaniac with aspirations of being a dictator." Just a matter of time until Weight Lifters for Truth gets into the game. —By Perry Bacon Jr.



WINDOW OF OPPORTUNITY

When British Foreign Secretary Jack Straw visited Ramallah last week to leave a wreath at Yasser Arafat's grave, many observers expected the government of Ariel Sharon to protest. But Israeli officials were resigned. "We snubbed officials who went to talk to Arafat when he was alive," sighed one. "We can't very well do that to those who want to talk to him when he's dead." That tempered response reflects a new mood of conciliation. With Palestinians preparing to vote on Jan. 9 for a new President, Israel last week signaled that it will allow Palestinian residents of East Jerusalem to vote. Israeli President Moshe Katsav

said Israel might suspend construction of its separation wall if the Palestinians halt terror attacks. And the Fatah wing of the Palestine Liberation Organization gave its presidential nomination to Mahmoud Abbas, favored by Israel and the West to succeed Arafat. But the signs of progress are still fragile. Palestinian officials are concerned about supporters of imprisoned Palestinian activist Marwan Barghout, who lost his bid to be Fatah's presidential nominee. Senior Fatah officials told *TIME* that as many as 40% of the party's members may now boycott the election. The absence of a credible alternative to Abbas could also embolden the militant group Hamas to attempt to derail his election by attacking Israel. "There is a real sense that this is a moment of opportunity," says a senior U.S. official. "But everyone realizes that it might not last forever." —By Romesh Ratnesar and Jamil Hamad

Abbas, favored by Israel to succeed Arafat, and the imprisoned Barghout, inset

said Israel might suspend construction of its separation wall if the Palestinians halt terror attacks. And the Fatah wing of the Palestine Liberation Organization gave its presidential nomination to Mahmoud Abbas, favored by Israel and the West to succeed

Long Road to Justice

PORTUGAL The trial opened in Lisbon of seven people charged in relation to an alleged child sex ring in state-run children's homes. Revelations by a whistleblower in September 2002 outraged the nation when it emerged that reports of abuse spanning decades were ignored by authorities.

Fair Play

ZIMBABWE The England cricket team arrived in Harare for a 10-day tour after authorities—in a surprise turnaround—lifted a ban on 13 British journalists. The England cricketers had delayed traveling to the country because of the ban.



No Bargaining

AFGHANISTAN Officials denied the government had made a deal to secure the release of three U.N. workers freed after nearly four weeks in captivity. A

WORLD WATCH

By PENNY CAMPBELL

Taliban splinter group that held the trio hostage said it let them go in return for a government promise to release 24 Taliban from jail.

Closing In

INDONESIA Police arrested four suspects in the Sept. 9 bombing of the Australian embassy in Jakarta, which killed at least 10 people. Officials say the arrests could lead them to the blast's alleged mastermind, Malaysian Azahari bin Husin.

Burning Question

MEXICO Riot police arrested more than 30 people in connection with the murder of two undercover policemen, who were beaten and set on fire by a mob that suspected them of kidnapping children. A third officer was hospitalized in critical condition. Officials launched an inquiry into why it took reinforcements so long to reach the scene.

Laying Down Arms

COLOMBIA Some 450 members of the paramilitary United Self-Defense Forces (AUC) disarmed as part of the ongoing peace process. Authorities suspended arrest warrants against AUC leader Salvatore Mancuso, although the Supreme Court earlier authorized his extradition to the U.S. on drug-trafficking charges.

MEANWHILE IN THE U.S. ...

Poetic Justice

A judge in the trial of a doctor, notorious for asking dying Beatle George Harrison to autograph a guitar, waxed lyrical in agreeing to the physician's request to move an unrelated suit because of the adverse publicity from the Harrison incident. Set to the classic Beatles song, his ruling started "Something in the folks he treats/ Attracts bad press like no other doctor." Anyone who had forgotten why Dr. Gil Lederman was famous, has now remembered.



To receive World Watch by e-mail, go to: www.timeeurope.com/ww/subscribe

REALITY BYTES

H EY, MOM AND DAD! VIDEO games are achieving even higher shock value by pairing the latest in computer-generated gore with real-life violence!

▼ **JFK RELOADED** A Scottish firm launched this so-called docugame on the anniversary of the assassination last week. The game's website (jfkreloaded.com) is offering up to \$100,000 to the player who most closely recreates the shots Lee Harvey Oswald fired.



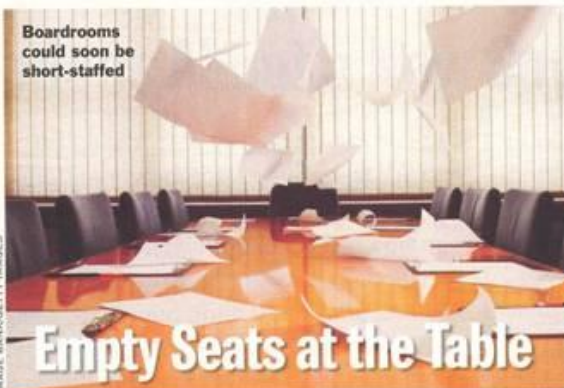
JOHN KERRY'S SILVER STAR Players at kumauar.com can try to re-enact Kerry's much-scrutinized swift-boat mission. The site features games—à la *Uday and Qusay's Last Stand*—that are so realistic, the U.S. Army is starting to use them for training.

GRAND THEFT AUTO: SAN ANDREAS Politicians and parents' groups condemn the No. 1-selling video game for glorifying street culture. Players can hire prostitutes; the handset shakes to simulate an orgasm.

SHELLSHOCK: NAM '67 This brutal game lets characters take drugs and watch a comrade chop up a hooker.

TOM CLANCY'S GHOST RECON 2 This new release has been assailed by Pyongyang for depicting multinational forces invading North Korea amid food riots. A government-run newspaper there noted that U.S. video games featuring invasions of Afghanistan and Iraq preceded actual wars. —By Julie Rawe and Logan Orlando

Boardrooms could soon be short-staffed



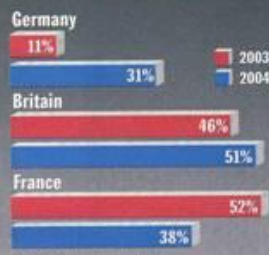
Empty Seats at the Table

M aybe it's time to feel sorry for Europe's top executives. Last week, Los Angeles-based headhunters Korn/Ferry International revealed that high—and in some cases increasing—numbers of European directors are declining invitations to sit on company boards (see chart). The reason? The pressures and costs involved in upholding stricter corporate governance standards in the wake of high-profile blowouts such as Enron and Parmalat. The scandals have "brought home to a greater extent the importance of quality contributions" from board directors, says Mina Gouran, head of U.K. Board Services at Korn/Ferry. Translation: nobody wants these gigs anymore, so directors might soon be in short supply. "Public companies are worried in Britain that the gene pool for recruiting directors is becoming shallow," warns Digby Jones, di-

rector general of the British employers' group the CBI. For European firms listed in the U.S., compliance with America's Sarbanes-Oxley Act—the 2002 law that introduced tough new rules on how public firms report their numbers—is adding to the burden of compliance. Jones claims at least a quarter of his 72 British members listed in the U.S. have said privately: "We've had enough" of strict U.S. rules. Meanwhile, the *Financial Times* reported that a majority of Germany's 13 U.S.-listed firms wanted out of the hassle and cost of U.S. regulation. After meeting with German employer groups last week, Jones says British and German firms will be pushing U.S. regulators to make it easier to withdraw their U.S. listing. Directors, loosen those seat belts.

ANYONE SITTING HERE?

Percentage of directors who have refused boardroom posts due to perceived risk



SOURCE: Korn/Ferry International

BIZ WATCH

By ADAM SMITH

INDICATORS

RELINQUISHING POWER

The French government unveiled plans to privatize up to 30% of EDF, the world's largest power company, in a share offering next year set to raise up to €11 billion. The sale—the biggest-ever stock offering in France—would fund development of the heavily indebted utility's European operations.

CULTURAL REVOLUTION

Caving in to state pressure, Wal-Mart said it would allow trade-union representation for its workers in China, if they requested it. The world's largest retailer—known for its

hostility toward labor unions—has some 20,000 employees and 40 stores in the communist country.

TRADE BODY BLOW

The World Trade Organization granted the E.U., Japan and five other countries the right to impose \$150 million in trade sanctions on the U.S., in retaliation for an antidumping law ruled illegal by the global trade body. The law hands U.S. firms the proceeds from antidumping duties collected from imported goods sold below market price. Washington said it would work to resolve the issue.

TOO CLOSE FOR COMFORT

After only three days in the role, Neelie Kroes, the E.U.'s controversial Competition Commissioner, recused herself from five of Brussels' antitrust investigations, citing conflicts of interest stemming from her past business links.

DVD KILLED THE VHS STAR

Dixons, Britain's leading electrical retailer, called an end to its sales of the video cassette recorder. The high-street chain said sales of DVD players now outstripped VCRs by 40 to 1. We'd almost learned to program it.

THE BOTTOM LINE “Lunch at KLM meant milk and sandwiches. Now we all drink French wine and eat foie gras.” **JEAN-CYRIL SPINETTA**, CEO of Air France-KLM, on corporate culture at the merged airline, which hailed a 41% jump in second-quarter net profit

N O T E B O O K

ROME'S NEXT CHOICE?

JOSEPH CARDINAL Ratzinger, the chief architect of Pope John Paul II's traditionalist moral policy, has long been a bugaboo for liberal Catholics. But they had stopped worrying that the German might one day succeed John Paul to St. Peter's throne. The hard-line views and blunt approach that got him dubbed "panzer-

conclave will seek a shorter-term "transitional" figure. Ratzinger, 77, is a prominent and respected Cardinal who may fill that bill. His doctrinaire ways, moreover, have been tempered of late by a deft and more pragmatic approach to issues such as rising Western secularism and Islamic fundamentalism. During the U.S. election-year controversy over whether pro-choice candi-



Ratzinger, left, bane of liberals, could be the Pope's successor



kardinal" had earned him too many enemies. Well, they can start worrying again. Sources in Rome tell *TIME* that Ratzinger has recently re-emerged as the top papal candidate from within the Vatican hierarchy in the event of John Paul's death or retirement, joining other front runners such as Dionigi Tettamanzi of Milan and Claudio Hummes of São Paulo. "The Ratzinger solution is definitely on," said a well-placed Vatican insider.

There are no immediate signs that the 84-year-old John Paul's health has worsened, and he has publicly ruled out becoming the first Pope in eight centuries to voluntarily retire. But as his long papacy grows ever longer, some feel the next

dates like John Kerry should be given communion, Ratzinger authored a careful letter to American bishops reasserting the Vatican's antiabortion stance without dragging the Holy See into communion-denial theatrics. "There was a stigma," said the Vatican official of Ratzinger. "He rises above that now."

Moreover, John Paul's very public health woes may prompt the Cardinals to recommend that his successor impose a specific mechanism to avoid another pontificate slowed by illness. Ratzinger, who has sought new ways to adapt church governance for modern times, might be willing to agree to an age limit and pass on the job after a few years. —By Jeff Israely



"Any reported death toll would be understated. Whole families are missing. Who would report them?"

SYAIFUDDIN ABDULLAH, an oil-company project manager who lost loved ones in Indonesia's Aceh province during the tsunami

"We worked eight months on this, two shifts per day, 3,000 workers ... it is all gone in five minutes."

EKASAK THONGTHASAWES, architect and builder of the Sofitel Magic Lagoon in Khao Lak, Thailand

"One of the problems is that if you tell untrained people, 'Listen—there's a tsunami coming,' half of them go down to the beach to see what a tsunami looks like."

PHIL MCFADDEN, chief scientist at Geoscience Australia, an agency that monitors earthquakes, on the difficulties of issuing tsunami warnings

"I have never seen such an outpouring of international assistance in any natural disaster. We are now counting new pledges by the hour."

JAN EGELAND, U.N. emergency relief coordinator, on the global response to the tsunami. Earlier, he had accused the U.S. and other rich nations of being "stingy." In the course of the week, the U.S. pledge rose from \$4 million to \$35 million to \$350 million

"In the balance of Islam, this constitution is infidel and therefore everyone who participates in this election will be considered infidels."

OSAMA BIN LADEN, on the upcoming Iraqi election, according to a new tape broadcast by the TV station Al-Jazeera

"His vision of the world is one in which there is no freedom of expression, freedom of religion and/or freedom of conscience."

PRESIDENT GEORGE W. BUSH, in a rare direct response to Bin Laden's statements

"It's just going to be too dangerous on voting day. If I go, I don't think I will return safe."

IHSAN AL-SAMARAEI, Iraqi civilian, responding to the increased violence aimed at disrupting the Jan. 30 election



The spotlight's on Julia, above, and his aides Brett, top right, and Evanno

The Men Who Would Be Spooks

THERE'S NOTHING LIKE TOPping off a national celebration with some vindictive settling of scores. Within hours of the Dec. 21 release of two French journalists who had been held hostage in Iraq for four months, politicians, security officials—and even former abductees Georges Malbrunot and Christian Chesnot themselves—were trading accusations over the efforts to free them from

their captors. The main target: conservative legislator Didier Julia and his team of dilettante sleuths, who sought to bypass official attempts to secure the pair's freedom by dealing with shadowy Middle Eastern contacts of their own. Their media-hyped campaign went belly-up in early October after Julia's minions claimed they'd not only seen the hostages but secured their impending release. Once

freed, Malbrunot refuted those claims, and confirmed French intelligence accusations that the bungled initiative had angered the pair's captors. Malbrunot said he was "scandalized" by Julia and his sidekicks, who "played with the lives of compatriots."

Last week French justice officials placed two Julia aides, Philippe Brett and Philippe Evanno, under investigation for intelligence work "undermining

the fundamental interests of the nation" in their purported contacts with Syrian secret services and Iraqi insurgents. The officials will question Julia himself later this month—and may even ask legislators to lift his parliamentary immunity so he can be placed under formal investigation. "If the vote were today, the immunity would not only be lifted, but Julia would be excluded from our party," warns an official in the ruling conservative Union for a Popular Movement (UMP). Why turn on a fellow rightist? In part due to Julia's attack on the government during the hostage affair: he accused it of negligence, of using him as "a scapegoat," and said Foreign Minister Michel Barnier had been "completely useless" in a crisis "that should have been resolved in four days, not four months." Julia says he's happy to answer questions, but is also demanding a parliamentary inquiry so he can go public with what he says is proof his initiative had official backing. "If Julia were smart, he'd shut up and play along until the storm calms down," says the UMP official. "He won't take anyone down but himself this way."

—By Bruce Crumley

NEW DIRECTIONS IN CHARITY

THE HOLIDAY CHARITABLE-GIVING SEASON IS OVER (AND U.S. DONATIONS FOR 2004 ARE EXPECTED TO BE UP SLIGHTLY COMPARED with 2003), but for the homeless in frigid U.S. and European cities, the long winter has just begun. While local governments continue to chafe under tight budgets, some organizations have come up with creative ways to help. —By Jeninne Lee-St. John

LUXURY DUDS

After decades of guilt-tripping the rich out of their mink coats and fox stoles, People for the Ethical Treatment of Animals is taking furs turned in to the group and donating them to the homeless in several U.S. cities, as well as in Iraq and Afghanistan.

BULLWINKLE: THE OTHER RED MEAT

Hunters are also helping, if inadvertently. New Hampshire Fish and Game officials have given food pantries more than 450 kg of meat from moose and deer shot illegally this season.



WALKING ADS

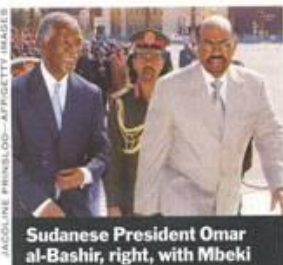
Homeless men in Amsterdam now have corporate sponsors: they're sporting winter jackets with ad space to raise money for local nuns who aid the needy. Ice creamer Ben & Jerry's bit first, giving more than \$20,000 to put its logo on the coats.

IF YOU TEACH A MAN TO SURF...

A Dallas man who lived under a bridge and had no computer skills got help from an online facilitator to post on eBay a plate he says his great-aunt took from the Titanic. It sold for \$10,000.

REASON TO BE CHEERFUL

THE PEOPLE OF SUDAN HAD cause for celebration on New Year's Eve. Negotiators in Naivasha, Kenya, announced that after 21 years of civil war, Sudan's Islamic government and rebels from the largely Christian and animist south had hammered out the final details of a peace deal. The agreement, to be signed on Jan. 9, will give the rebel Sudan People's Liberation Movement a share of political



Sudanese President Omar al-Bashir, right, with Mbeki

power and oil wealth during a six-year transition period, after which the south can hold a referendum on whether to secede. "Africa begins the year 2005 on a very good footing," said South African President Thabo Mbeki, who helped close the deal. "Let's party!" But few believe this will end Sudan's problems. Two decades of fighting have turned southern Sudan into a wasteland, yet nearly a third of the 3.5 million people displaced by the war are expected to return there this year. The deal doesn't address the conflict in the Darfur region of western Sudan, which some have called genocide. "Unless Congress sees movement on Darfur, and fast, they're not going to be in the mood to appropriate a lot of money for the rest of Sudan," says U.S. Ambassador William Bellamy. "I'd go ahead and drink a glass or two of champagne, but with the understanding that you have to get up in the morning and work on Darfur." —By Stephan Faris



Injured blaze survivors being treated outside the Buenos Aires club

Argentinean police arrested the owner of a nightclub in downtown Buenos Aires after a blaze killed at least 175 and injured more than 700. Interior Minister Anibal Fernández said that four of the disco's six doors had been wired shut, snaring the mostly young clubgoers in what he called "a mortal trap." Fernández also warned that the death toll was likely to rise. Thousands of people, many in their teens and 20s, had packed into the Cromagnon Republic disco to celebrate the end of the school year. The Argentinean rock band Los Callejeros was playing when the fire broke out. City

and thick smoke. "People were pushing and jumping over each other to get out," concertgoer José María Godoy told reporters. "It was like a human wave. As people fell down running to the door, others just simply ran over them or pushed them down." With the victims reportedly including some babies and toddlers—part of the club was used as a creche—anxious parents searching for their children crowded the city's hospitals and morgues. The fire was South America's worst since a blaze in a Paraguayan shopping mall in August killed more than 400—a tragedy also blamed on blocked exits.

Immigrant Amnesty

SPAIN The government approved new regulations on immigration, giving amnesty to any of the country's estimated 800,000 illegal immigrants who can prove at least six months' employment and evidence of residence in Spain for at least six months. The move is expected to increase social security payments and generate new tax revenues for Spain, which has a thriving underground economy.

Youth to Power

ROMANIA The youthful Cabinet of new Prime Minister Calin Tariceanu—with six Ministers under 40—was sworn in in Bucharest. The youngest nominee, 29-year-old former primary-school teacher Cristina Pirculescu, was dropped as the candidate for Minister for European Integration after failing to identify the governing body of the E.U. during questioning in parliament. Opposition politicians predicted early elections.

Terror Resurgent

SAUDI ARABIA Despite govern-

WORLD WATCH

By PENNY CAMPBELL

ment assurances that al-Qaeda sympathizers in the kingdom



Saudi police after the shoot-out with militants

have been greatly weakened by a 19-month clampdown, two suspected suicide bombings targeting the Interior Ministry and a special forces base injured more than a dozen. Police investigating the attacks later killed 10 alleged al-Qaeda mil-

itants, including two of the kingdom's most wanted terrorists.

A Fresh Start

AFGHANISTAN The Cabinet of President Hamid Karzai met for the first time, a week after being sworn in. Karzai, the country's first elected leader, asked his Ministers to eschew party politics and focus on rebuilding the war-ravaged nation.

Keeping the Fatigues

PAKISTAN In a televised address to the nation, President Pervez Musharraf announced that he would not be stepping down as head of the army, despite his December 2003 pledge to do so. Musharraf, who made the promise as part of a deal with hard-line religious parties over constitutional reform, said his decision would assist the development of democracy.

MEANWHILE IN RUSSIA ...

Lowering the Red Flag

President Vladimir Putin signed a new law scrapping October Revolution Day, the once-sacred holiday marking the anniversary of the 1917 Bolshevik uprising. A new People's Unity Day to replace it will celebrate the departure of Polish troops from Moscow in 1612, which led to the founding of the Romanov dynasty. Supporters said the change was needed because Russians are divided over the revolution; presumably, they agree on the Romanovs.



NUMBERS

20 million lira Cost of a night out at the movies with popcorn on Dec. 31 in Turkey

20 lira Cost of a night out at the movies with popcorn on Jan. 1, after Turkey dropped the last six zeros from its inflated currency (the exchange rate will not be affected)



\$2 million Amount the U.S. Army is spending to try to save the marriages of its soldiers; programs include couples counseling and romantic getaways

21% Divorce rate within two years in couples when one spouse is sent to war

1.6 million Number of Britons who expected to get into a fight on New Year's Eve, according to a survey

140,500 Number of U.K. babies conceived on New Year's, according to the same survey



15% Proportion of Americans who cite quitting smoking as their 2005 New Year's resolution, this year's most popular pledge

4% Proportion of Americans whose resolution is to be kinder to others in 2005

Sources: New York Times (2); AP (2); Guardian; PA; Marist Poll (2)

Putin and China's President Hu Jintao might be oil partners



Watch the Hands

Will oil unite Russia and China in a way that communism never did? Yukos watchers assumed that the Russian oil titan, neutered by massive tax bills and the jailing of its CEO, would end up in the hands of the Russian government. But last week Russia's Energy Minister, Viktor Khristenko, announced that a 20% stake in the new business may be sold to China's state-oil company CNPC. In late December, the Russian government shut out rival bidders for Yukos' core oil division, the

million-barrel-a-day Yuganskneftegaz. Then state oil firm Rosneft snapped it up, using a shell company, for a bargain \$9.4 billion. That drew catcalls even from Vladimir Putin's own economic adviser, Andrei Illarionov. Managers from Rosneft turned up on New Year's Eve at Yuganskneftegaz's Siberian HQ to claim the keys. Meanwhile, in Houston, Deutsche Bank is challenging the temporary bankruptcy protection won earlier by Yukos lawyers hoping to stave off the sale. The bank argues that Texas law has no place in a Russian tax dispute. The ruling prompted Putin to crack: "I am not even sure the judge knows

where Russia is," but a procedural hearing is set for this week. Yukos' lawyers say that even if the sale is a done deal, the company would seek damages against anyone helping in the sale of assets they insist are under protection of the bankruptcy court. But who to sue? Mike Lake, a spokesman for Yukos' Houston law firm Fulbright and Jaworski, said, "It's like following the bean under the walnut shell. You never know where it will wind up." —With reporting by Cathy Booth Thomas

THE BOTTOM LINE "We used to see street hustlers do this kind of thing. Now officials are doing it." **ANDREI ILLARIONOV**, President Vladimir Putin's top economic adviser, as he nominated the Yukos sale for "Swindle of the Year"

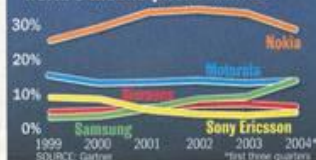
SAMSUNG'S A NO-SHOW

Mobile phones rang a merry tune this Christmas—especially stylish varieties like NEC's "clamshell," Britain's top seller. Good looks and funky features helped South Korea's Samsung Electronics grab 13.8% of the global market in the third quarter of 2004, ousting Motorola as the world's No. 2 behind Nokia (see chart). But Samsung doesn't want to show off about it. The company announced that, for fear of copycats, it will no longer demonstrate its cutting-edge handsets at trade shows like the CeBIT fair in Hanover in March. Samsung values "protecting state-of-the-art technologies and innovative designs over winning design contests," says

executive director Yoon Ji-hong. Rivals are perplexed. "We haven't perceived a problem," says Marianne Holmlund, communications director of Nokia. So how will people learn about Samsung's new phones? If you figure that out, send us a text message.

GLOBAL POSITIONING

Percentage share of the world's mobile-phone market



INDICATORS

SYMPTOMS RETURN

The *British Medical Journal* published details of clinical trials by Eli Lilly of its antidepressant Prozac, which suggested that the company may have withheld evidence of a link between the drug and violent behavior. The documents had reportedly gone missing during a 1994 civil suit against the company, but were sent to the journal anonymously and are now being reviewed by U.S. drug regulators.

THE YEAR IN SPAM

The U.S.'s year-old CAN-SPAM laws, meant to curb unsolicited e-mail, have had little impact, according to antispam company MX Logic, which estimates that 77% of all e-mail is spam. Feedback by users of America Online show that 2003's favorite spam subjects, Oprah Winfrey, teens and Viagra, were overtaken in 2004 by ID-theft scams, mortgage deals and substitutes for the withdrawn arthritis painkiller Vioxx.

NOTEBOOK

TOO GOOD TO BE TRUE?

AS PALESTINIAN PRESIDENT Mahmoud Abbas inched toward a cease-fire deal with Hamas last week, he was rewarded with an Israeli commitment to scale back its assassinations of Palestinian extremists; under new guidelines, Israel will only hit "ticking bombs"—operatives on their way to carry out a terror operation. This is the first real breakthrough in peace negotiations for four years, but it's still only a fragile one. Hamas continued to insist

ity cooperation and the exchange of intelligence information with Palestinian police. But there are hurdles ahead, too. Many observers believe Hamas may be stringing along Abbas to avoid accusations that they are blocking an opportunity for peace. Hamas doesn't want to lose its popularity, particularly in Gaza where last week it took about two-thirds of the vote in 10 municipal elections. There is also skepticism among Palestinians about stories of Israeli

LEFT: PITABAKIS—AP



Hamas supporters, here at a rally in Gaza, back Abbas—for now

that Israel join the truce before it would finalize an agreement. Even Israeli Prime Minister Ariel Sharon acknowledged signs of progress, saying "the conditions have been created that will enable us and the Palestinians to reach a historic breakthrough in our relations." By Saturday, the two leaders had agreed to meet this month—the first time since Abbas' Jan. 9 election. The new Palestinian President also sent his police into parts of Gaza that have been in the hands of Hamas and the gunmen of the P.L.O. militia, the Aqsa Martyrs Brigades, for the past few years. It's a good start for Abbas. Within 10 days, Israeli officials expect to resume secur-

concessions. Palestinian officials announced last week that Israel had agreed the speedy withdrawal of troops from Ramallah and three other Palestinian towns but, as residents of those towns know, there aren't any Israeli soldiers to withdraw. U.S. Secretary of State Condoleezza Rice will visit the region this week—a sign the White House is hopeful. Meanwhile, Israeli Defense Minister Shaul Mofaz says that the Lebanese Islamic group Hizballah has increased its funding for the Aqsa Martyrs Brigades. If that money pays for terror strikes, Sharon and Abbas will be back to square one.

—By Matt Rees, Jamil Hamad and Aharon Klein



“The Holocaust is not only a tragedy of the Jewish people. It is a failure of humanity as a whole.”

MOSHE KATSAV, Israeli President, at a forum in Krakow before ceremonies to commemorate the 60th anniversary of the liberation of the Nazis' Auschwitz-Birkenau extermination camp in Poland

“We've spent \$200 billion destroying Iraq. Now we've got to spend \$200 billion to rebuild it, if they'll let us. And all to find a nut in a foxhole—one guy.”

TED TURNER, founder of CNN, in a speech in Las Vegas to the National Association of Television Program Executives

“It seems like most of the leadership there understands that there will be a need for coalition troops at least until Iraqis are able to fight.”

GEORGE W. BUSH, U.S. President, when asked whether the U.S. would withdraw its troops if asked to do so by a newly elected government in Baghdad

“We shouldn't have to rely on a faith-based initiative for health care.”

JOHN KERRY, U.S. Senator and former Democratic presidential candidate, in a speech criticizing Bush's health-care policies

“I think I made the wrong career choice.”

TONY BLAIR, British Prime Minister, to Irish rock star and anti-poverty campaigner Bono, observing the well-heeled participants at the World Economic Forum in Davos, the Swiss ski resort

“Lula! Come back to reality!”

PROTESTERS at the World Social Forum in Porto Alegre, Brazil, heckling the country's President, Luiz Inácio Lula da Silva, for his alleged failure to push for the social reforms he promised when he took office two years ago

“Poverty is a man-made tsunami. The biggest tyranny in the world is the tyranny of an empty stomach.”

JOHN SAMUEL, a founding member of Global Call to Action Against Poverty, launched at the World Social Forum

Sources: Independent; Broadcasting & Cable; New York Times; Washington Post; Independent (3)

Will Chávez's Oil Still Flow?

WHETHER OR NOT Venezuelan President Hugo Chávez is the next Fidel Castro, the leftist firebrand has mastered the Cuban's art of pushing the U.S.'s buttons—including the ones on American gas pumps. Venezuela is the U.S.'s fourth-largest oil supplier (15% of U.S. imports), a nearby and reliable source that few in Washington want to alienate. But the visit to Caracas last week by Chinese Vice President Zeng Qinghong was the latest reminder that Chávez, a sharp critic of U.S. foreign policy, wants to cut Venezuela's dependence on the U.S. market and start exporting to his oil-thirsty ideological ally, China. Talks are under way to build pipelines to



Chávez's plan to export Venezuelan oil to China has raised U.S. concerns

pump Venezuelan crude to Pacific ports in Colombia and Panama for that very purpose.

Analysts question whether Chávez can profitably ship oil all the way to Asia, and Venezuelan officials insist that U.S. supplies will remain steady even if he does. But given Chávez's anti-Bush fervor—and the leverage that sky-high oil prices afford him—Washington

is nonetheless starting to worry that the flow of Venezuelan oil might shrink significantly by the end of this decade. Indiana Senator Richard Lugar has asked the U.S. Government Accountability Office to study what "contingencies are in place to mitigate the



effects" of a sharp Venezuelan shortfall, "as this could have serious consequences for our nation's security." Other Senators are urging the Bush Administration to mend fences with the democratically elected Chávez, whom it accuses of trying to destabilize Latin America, as Castro once was. But Secretary of State Condoleezza Rice, at her confirmation hearings, showed no signs of softening on Chávez, calling him a "negative force" in the hemisphere. Chávez, who claims that Bush backed a failed 2002 coup attempt against him (the Administration denies it), called Rice "an illiterate" who "seems to dream about me." Washington's bigger fear is that U.S. consumers may someday see Chávez in their nightmares.

—By Tim Padgett

BLOCK VIEW
FIND IT ON THE BLOCK
Walk Up and Down the Street

SITEGEIST

The search-engine war is heating up. Amazon's **A9.COM SEARCH ENGINE**, a challenger to Google, began letting users take a virtual walk down the block last week. A9 has gathered and organized 20 million photos of 10 U.S. cities, using digital cameras, GPS receivers and special software. Plug an address into A9's Yellow Pages, and it will show you the neighborhood. Ask for the nearest drugstore, church or just about anything else you want, and A9 will take you on a digitized stroll there.

BREMER'S NEXT INSURGENCY: AUDITORS

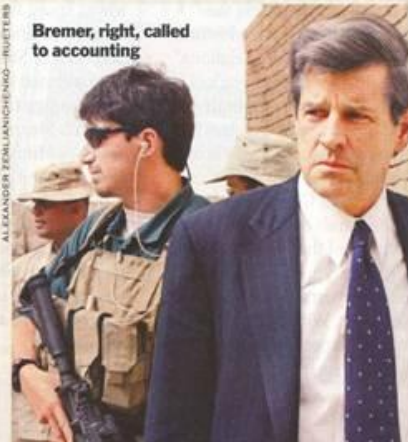
Less than two months after former Coalition Provisional Authority (CPA) administrator L. Paul Bremer received the U.S. Presidential Medal of Freedom, a scathing audit by a longtime confidante of George W. Bush is bashing Bremer's agency for failing to establish "adequate financial controls," leaving some fiscal reporting systems "either weak or non-existent." The audit charges that the CPA left large portions of the \$8.8 billion Iraqi treasury "open to fraud, kickbacks, and misappropriation of funds," according to a draft obtained by TIME. The report was written by Stuart Bowen, a lawyer from Texas who became special inspector general for Iraq reconstruction. His audit cites Bremer for lax accounting (on one payroll, for instance, only 602 of the 8,206 names could be confirmed, with no paper trail for the rest of the cash) and inadequate disclosure (the CPA allowed Iraqi officials to delay reporting the \$2.5 billion the interim government received in oil-for-food money last spring).

Bremer, in an angry eight-page reply appended to the draft, rapped Bowen for "misconceptions and in-

accuracies" and for expecting the CPA, amid postwar chaos, to follow accounting standards that "even peaceful Western nations would have trouble meeting within a year." Among the details Bremer may have trouble explaining: at a press conference last spring, he said the CPA had approved "fundamental" internal controls for the Health Ministry before handing it over to the interim government. But, the report notes, his staff members said they were "unaware of the basis" for that assertion.

—By Timothy J. Burger

Bremer, right, called to accounting



RULES OF ENGAGEMENT

RISING YOUNG EGYPTIAN screen star Ahmed El Fishawi is used to being the center of attention, but now he's attracting it for all the wrong reasons. And if a Cairo family court rules this month that he must take a DNA test to prove that he's the father of a three-month-old baby girl, he might wish for a little less of the limelight altogether. El Fishawi is the subject of a suit that—with its revelations about how women, men and religion

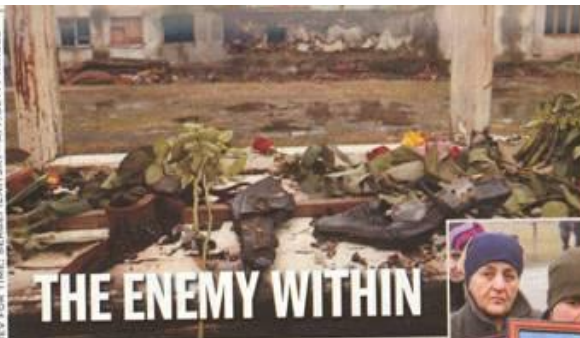


El Hennawi, above, insists El Fishawi is the father of her child

interact—has transfixed Egypt. The saga began in February 2002 when, according to interior decorator Hind El Hennawi, 27, she and El Fishawi, 24, had an urfi marriage, a secret but legal and increasingly popular form of Islamic union that allows couples to have sex without the obligations of a more formal wedding.

El Fishawi denies the marriage took place, and says he's not the father of El Hennawi's child. The convention in such cases is for the woman to have an abortion, but El Hennawi refused to do that. Now it's up to the court to decide. The ruling is bound to be controversial in a case that has already split society. "A ruling in El Hennawi's favor may make young people take urfi marriages more seriously and reconsider the consequences," says Madiha El Safti, a sociologist at the American University in Cairo.

—By Amany Radwan



THE ENEMY WITHIN

Two senior police or military officers are being sought in connection with the Beslan school siege, the Russian government's chief investigator, Alexander Torshin, announced. At least 330 people, many of them children, died last September during the storming of School Number 1 in Beslan, where guerrillas loyal to the Chechen rebel Shamil Basayev were holding more than a thousand hostages. The two men, whose identities were not revealed, are "a little above the rank of major or lieutenant colonel," Torshin declared. If the men are guilty, their high rank would be more surprising than



included in a deadly six-hour firefight; two police were also reported injured. The rebels included four women and were part of the radical Islamist group Yarmuk, which in January declared a jihad against Russian forces in the region. Within hours of the siege ending, Yarmuk issued a press statement vowing to continue their struggle. —By Paul Quinn-Judge

inset, wonder who to blame

the fact that the rebels had penetrated law-enforcement agencies. Chechen guerrillas and their allies in the North Caucasus boast that they buy weapons from the Russian army and are assisted by local police. Meanwhile, bloody clashes, usually unreported in the media, occur daily in Chechnya. Last week, seven guerrillas were killed in a gunfight in Nalchik, capital of the once sleepy republic of Kabardino-Balkaria. A standoff in a city apartment block lasting almost two days con-

Barroso's Vision

THE EUROPEAN UNION European Commission President José Manuel Barroso called for a period of "European renewal" as he outlined his five-year work program. Barroso told the European Parliament that his main focus would be promoting economic growth and job creation.

Terror Tactics

THE NETHERLANDS In a procedural hearing in the case against Mohammed Bouyeri, the alleged killer of controversial filmmaker



Theo van Gogh, judges were told that Bouyeri twice ignored Van Gogh's pleas for mercy. Prosecutors said that Bouyeri first shot Van Gogh dead, then slit his throat, and that the gruesome slaying was intended to terrify the Dutch population. Bouyeri, who faces charges ranging from murder to impeding democracy, waived his right to attend the court. His trial is expected to start before the summer.

WORLD WATCH

By PENNY CAMPBELL

Suitor Spurned

GEORGIA President Mikheil Saakashvili unveiled an autonomy plan for the breakaway republic of South Ossetia as part of his efforts to reunite the country. Under the proposal, the province would have the right to elect its own local parliament, with control over education, policing and social policies. South Ossetian President Eduard Kokoity immediately rejected the plan; the republic has been effectively self-governing since the early 1990s and has close ties with Russia.

A Breach of the Peace

SUDAN U.N. Secretary-General Kofi Annan said he was "deeply disturbed" by an attack near the town of Shangil Tobaya in the western Darfur region in which more than 100 people are believed to have been killed. African Union monitors said the Sudanese air force was responsible for the aerial bombardment, in

breach of a truce agreed between the government and local rebel factions last year. Annan said the incident was "the latest in a series of grave cease-fire violations."

The Last Word

CHINA Thousands of mourners attended the tightly controlled funeral in Beijing of ousted Communist Party leader Zhao Ziyang, who died Jan. 17. After the ceremony, the official Xinhua News Agency released an obituary referring to Zhao's "serious mistakes" in dealing with the 1989 student protests. Zhao was deposed after opposing that summer's Tiananmen Square crackdown.

MEANWHILE IN MALAWI ...

Justice on Wheels

High court and supreme court judges ended a six-day strike after accepting a government offer to replace their aging Toyota Corollas with a fleet of new four-wheel-drive vehicles. The judges, who complained that their old cars needed constant maintenance, had originally demanded Mercedes or BMWs. Their new Nissan Terranos will cost about \$60,000 apiece; per capita GDP is around \$155.



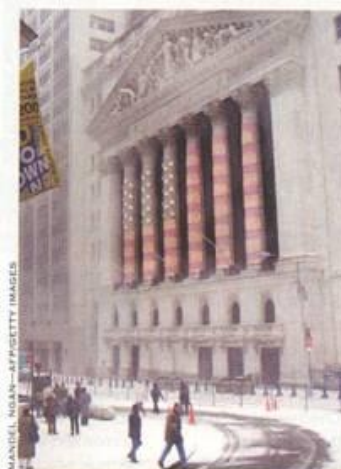
MORE BAD MEMORIES

AS THE WORLD COMMEMORATED the liberation of the Auschwitz death camp in Poland 60 years ago last week, the hatred that conceived it continued to erupt. The far-right National Democratic Party (NPD) walked out of the Saxon state parliament during a silence for Holocaust victims. "It is the common duty of all democrats to confront the disgusting propaganda of neo-Nazis," said German Chancellor Gerhard Schröder, whose government has tried and failed to ban the party. The Interior Ministry is now formulating proposals to stop far-right groups from



Germany's far-right NPD disturbed a silence for the Holocaust dead

demonstrating near Holocaust memorials. This would nix the NPD's planned May rally at Berlin's Brandenburg Gate near the new memorial to murdered Jews but would not have prevented clashes last weekend between the NPD and left-wingers in Schleswig-Holstein, where elections take place on Feb. 20. Moscow, too, is confronting anti-semitism. On Jan. 13, 500 prominent Russians, including 20 members of parliament, sent a letter to the state prosecutor calling for a ban on all Jewish organizations, which they labeled "extremist." It was withdrawn after government pressure, but after six decades the twisted mythologies of Nazism are still finding adherents. —By Charles P. Wallace and Yuri Zarakhovich



The N.Y.S.E. might soon be ringing its opening bell a little earlier

William Donaldson said the regulator was mulling over changes to make it easier for foreign firms. Why the pleasantries? Sarbanes-Oxley has helped cut the number of new foreign listings on the New York Stock Exchange by nearly half. With the Big Board looking to boost income, CEO John Thain confirmed the N.Y.S.E. was considering opening an hour earlier, to boost European trading. Is Europe worth getting out of bed for? "We're truly in the era of global markets," says Dan Michaelis of the U.S. Securities Industry Association. But it wasn't all one-way traffic. The U.N. called on Europe's economies to help battle the U.S.'s twin deficits by kick-starting domestic growth. Talk about win-win.

Their Country Needs You

Maybe the Atlantic Ocean is getting narrower—or so it seemed last week, with America and Europe professing commercial interdependence. With a nod to European firms irked by tough financial reporting rules imposed by the 2002 Sarbanes-Oxley Act, U.S. Securities and Exchange Commission chairman

BIZ WATCH
By ADAM SMITH

INDICATORS

BROKEN BONDS?

German financial markets watchdog BaFin accused six Citigroup traders of manipulating the German government bond futures market last August. The bank dumped €11 billion of the bonds, only to buy back a portion soon after, netting an estimated €17 million. Frankfurt prosecutors are considering a formal probe.

CONTROL SHIFT

Microsoft said it would not appeal an E.U. court's December ruling that it comply immediately with antitrust sanctions imposed by Brussels last March. The firm had hoped to stall the penalties—including a requirement that it offer a version of Windows stripped of its Media Player—while its full appeal is considered.

COLD TURKEY

J.D. Wetherspoon became the first British pub chain to ban smoking, forbidding patrons from lighting up in its 650 bars from May 2006.

THIRSTY WORK

Sacre bleu! The U.S. will overtake France as the biggest wine-consuming nation by 2008, according to a British study.

FOLLOW THE BOUNCING CZECH

How affordable is Prague housing? Ask Czech Prime Minister Stanislav Gross. The leader originally claimed to have financed the 1999 purchase of his \$185,000 apartment from his savings and a mortgage. When the Czech daily *Mlada fronta Dnes* discovered in mid-January that he could not have had enough money to cover the \$108,000 down payment, Gross said that he borrowed nearly half the money from a well-to-do uncle. The

76-year-old retired military officer initially confirmed that, but changed tack when other relatives started questioning his financial situation. Last week, he explained that the money he loaned Gross came from relatives abroad. Confusingly, a day later he refused to confirm the story, calling media coverage of the loan "slandorous." So where did the money come from? Gross has nothing to add. "The Prime Minister cannot answer for anybody



Gross issued a flat denial

RED, INC.

Estimated percentage of firms declared insolvent last year

Spain	0.04%
U.S.	0.58%
Britain	1.37%
France	1.81%
Austria	2.53%
Luxembourg	3.09%

SOURCE: National figures, Datatrend, Euler Hermes SPAC

else's comments," says spokeswoman Vera Duskova. He'd better keep up his mortgage payments. —By Jan Stojaspal

THE BOTTOM LINE "I hate to feed fat ducks who are not willing and not able to compete and don't stick to the rules." **NEELIE KROES**, E.U. Competition Commissioner, indicating that she intends to strictly enforce E.U. competition rules

GROUNDING BIRD FLU

CAMBODIA RECENTLY became the third nation since 2004 to suffer a human fatality from bird flu, intensifying fears that it will keep spreading. But in a Phnom Penh market stall encrusted with chicken excrement, 30-year-old Sam Ngan says that the birds she sells "are exposed to the sunlight and can eat from the earth, so the disease does not affect them."

human infections—most recently a 21-year-old Vietnamese man who was confirmed with bird flu Friday. With no vaccine available as yet, humans could be defenseless if the virus gained the ability to transmit easily from person to person. To contain it, Cambodia and its neighbors would need to radically modernize their animal husbandry practices. Such measures would require hundreds of millions of dollars to educate and



Workers disinfect an avian burial site in Ho Chi Minh City in early February

Besides, she adds, "only foreign chickens are affected, not the local ones."

She's wrong, of course. "The world is now in the gravest possible danger of a pandemic," warned Dr. Shigeru Omi, the Western Pacific regional director of the World Health Organization (WHO) last week. "The longer the virus is circulating in animals, the greater the risk of more human cases." Since the virus known to scientists as H5N1 first emerged as a major concern in 1997, more than 140 million chickens and ducks across Asia have either died or been culled in a vain attempt to eradicate the disease. Bird infections lead directly to

equip poor farmers—money that developing countries can ill afford. And producing a vaccine is tricky, because in a pandemic the virus could mutate. The U.S. has just begun clinical tests on an experimental human vaccine for bird flu, and has made plans to stockpile 4 million doses. "A problem in a remote part of the world becomes a world problem overnight," Dr. Julie Gerberding, the director of the U.S. Centers for Disease Control and Prevention, said last week. That's why the blind faith of a Cambodian chicken seller is ample cause for international concern. —By Bryan Walsh. With reporting by Kevin Doyle and Kay Johnson

44 VERBATIM

"This act harms our interests, our path and our goals, and we will not hesitate to track them down and punish them."

MAHMOUD ABBAS, Palestinian leader, vowing to find those responsible for the suicide bombing outside a Tel Aviv nightclub that killed four and ended a lull in Israeli-Palestinian violence

"This notion that the United States is getting ready to attack Iran is simply ridiculous. Having said that, all options are on the table."

GEORGE W. BUSH, U.S. President, speaking to European allies at NATO and E.U. headquarters in Brussels

"I have come to realize that personal relationships are more important than history."

DOUG WEAD, motivational speaker and author, in a letter to the host of a U.S. political TV talk show, following an outcry over Wead's release to journalists of secretly recorded conversations he had with George W. Bush before he was elected President

"No doubt I will not always get things right. But I am determined to set a different tone."

LAWRENCE H. SUMMERS, president of Harvard University, responding to a meeting of faculty members still angry over his remark about women lacking "innate ability" in science

"We have moved a mountain."

RIFAAT EL-SAID, leader of the Egyptian opposition Tagammu Party, on President Hosni Mubarak's surprise announcement that, for the first time since he took office in 1981, multiple candidates will be allowed to run in next fall's presidential election

"Many of them don't say who they are anymore because the culture has said it's not socially acceptable to be a Democrat."

HOWARD DEAN, new chairman of the U.S. Democratic National Committee, asserting the country has plenty of "silent" Democrats

"I'm so overexposed, I'm making Paris Hilton look like a recluse."

U.S. SENATOR BARACK OBAMA, Democrat of Illinois, on the laudatory media attention he has received. A rising political star and currently the only black U.S. Senator, Obama is the son of a Kenyan-born man who grew up herding goats

Sources: ABC News, Associated Press (2), New York Times, Associated Press, Kansas City Star, Washington Post

MICHAEL MEETS HIS PEERS



THE TRIALS OF ...

THE JURY selection in the child molestation trial of Michael

Jackson included some surprises—most notably how quickly it was completed. Expected to last a month, it took just six court days for lawyers to settle on 12 jurors and eight alternates. There were other surprises: Though polls have shown that blacks tend to be more sympathetic to Jackson, of the eight women



Jackson at the courthouse

and four men sworn in as jurors, none are African-American. But jury consultants scouring the panel say there some members could be sympathetic to the pop star. One 21-year-old man in a wheelchair, who said he had visited Jackson's Neverland Ranch as a child, expressed disgust at discrimination lawsuits brought against local restaurants by a disabled man. Says jury consultant Sarah Murray: "He's somebody who doesn't like it when people play the victim." Another potential prosecution obstacle is the self-assured great-grandmother, 79, who is a fan of her grandchildren's attempts at moonwalking. "If she's a rock in the middle of the jury who refuses to move," says Murray, "that could be enough for the defense." —By Matt Kettmann



ADAM NAEEL—POLARIS

DARFUR DILEMMA

Debate over the slaughter in Darfur is moving into the crunch phase. As the U.N. Security Council struggles to decide what to do next about the murders and abuse engulfing the western Sudan province, the U.S. is circulating a draft resolution that calls for more peacekeepers on the ground in Darfur; imposes an arms embargo on all parties to the violence, including the Khartoum government; freezes the assets of, and bans travel by, individuals suspected of war crimes; and restricts offensive military flights. "We want a strong resolu-

While nations argue, the suffering goes on in Darfur

tion with the widest possible support but which also makes a real difference on the ground for the Sudanese people," says a State Department spokesman. "We want to identify perpetrators and have them brought to justice by internationally accepted means." And therein lies a dilemma. While European nations and human-rights groups broadly support

a U.N. commission's recommendation that Sudanese war-crimes cases be referred to the International Criminal Court in the Hague, the U.S. remains vehemently opposed. Washington prefers that a new, hybrid court be impaneled by the U.N. and the African Union. But with the I.C.C. set up and already analyzing other African cases, human-rights officials are urging the U.S. not to stand in the way of a Security Council referral. Could the U.S. turn a blind eye to jurisdiction by the I.C.C., which is, after all, an "internationally accepted means"? "You can dovetail that, but I can't," says the U.S. spokesman. While the U.N. debates, hundreds die in the region every day. —By Maryann Bird

Food Fright

BRITAIN A U.K. food scare involving the banned dye Sudan 1—shown to be carcinogenic in rats—spread to 15 other, mostly European, countries. Britain issued an alert on Feb. 18 when Premier Foods reported that it found traces of Sudan 1 in a batch of chili powder in its Worcester Sauce. The alert led to the recall of more than 400 products. The other countries affected are importers of foodstuffs from Britain.

Tarnished Temple

GREECE Archbishop Christodoulos, the head of Greece's Orthodox Church, rejected calls by several senior clergymen to step down amid a corruption scandal that has seen a number of clerics facing allegations of bribing judges, drug dealing and theft. Christodoulos did announce the suspension of two close aides, but said he was "called upon to lead a cleanup of the church."

Apportioning Blame

RUSSIA The Prosecutor General's office formally charged Muslim Ibragimov, a Chechen native, with "a murder conspired and conducted by a group of people" in connection with the death of *Forbes* Russia journal-

ist Paul Klebnikov (right) who was gunned down last summer outside his Moscow office. A number of suspects—all from Chechnya—have been detained since September, but Ibragimov is the first to be indicted.



ROSIA JARONCZAK—AP

Backward, March

SYRIA Officials announced the planned redeployment of some of the 14,000 Syrian troops stationed in Lebanon to positions closer to the Syrian border. International pressure on Damascus to withdraw its military forces from Lebanon has increased since the Feb. 14 car bomb in Beirut that killed former Lebanese Prime Minister Rafik Hariri, and which the Lebanese opposition has blamed on Syria; Damascus denies involvement.

A Fresh Start

SOMALIA Hundreds of cheering Somalis in the northern town of Jowhar greeted President Abdullahi Yusuf Ahmed and Prime Minister Mohammed Ali Gedi as they arrived on a six-town visit from exile in Kenya, their first since the formation of a power-sharing government last year. Yusuf and Gedi are assessing conditions for the permanent relocation of the transitional government to Mogadishu.

MEANWHILE IN BRITAIN ...

Cold, Cold Art

There have been many attempts to promote peace in Northern Ireland, but artist Rita Duffy's effort is unique. Duffy plans to tow an iceberg from Norway to Belfast, the city where the ill-fated *Titanic* was built and from which it set off on its fatal maiden voyage in 1912. Duffy said she hoped the iceberg would be "a symbol of hope" for the province's divided community. Alas, like so many peace agreements before it, the work is bound to melt down.



BRITAIN: CHERRY ALLEN/GETTY IMAGES

STRANGE BRANDFELLOWS

CORPORATE MARKETERS SEEM to be coupling oddly these days. We have Stoli-flavored sugar, Starburst-sweetened milk—even a Bulgari-brand hotel. The latest corporate marriages are carrying cross-promotional synergy into new frontiers of commerce. —By **Jeremy Caplan**



▲ **ACER + FERRARI** This laptop has nothing to do with the auto world, but why not slap on a snazzy car logo anyhow? Packed into candy-red casing, the Ferrari 3400's style is its strength.



ADIDAS + GOODYEAR

The tire giant did more than just rubber-stamp these Adidas Tuscany shoes. The company used its Eagle F1 tire treads to inspire a new design for the soles of this trendy model.

APPLE + SWAROVSKI

Decorated with 1,000 crystals (one for each of the 1,000 songs it stores), this iPod mini joins a piano, cell-phones and other new "Crystallized with Swarovski" products.



Gadonneix wants more juice at Edison

When Electricité de France, the world's largest power provider, snapped up a stake in Italy's energy firm Edison in 2001, it got a nasty shock: Rome capped EDF's voting rights in Edison at a measly 2%. Their claim: the French market wasn't open to competition. (EDF owns 18% of Italcenergia, a holding company with a 62% stake in Edison.) But last week, EDF president Pierre Gadonneix and Paolo Scaroni, head of Italy's state-owned utility Enel, agreed to develop joint projects in France and Europe, including those in the nuclear sector. An end to the static? One Italian exec familiar with the negotiations dismisses the plan as little more than a p.r. move, and says it's too early for Rome to consider lifting the cap. And onerous put options may yet force EDF to exit Italy. But Italian utilities might want to buy a piece of Italcenergia and that "could get the French off the hook," says the exec. Still, if that eases pressure to reform, consumers may lose; Fabrizio De Candia, European power director at Cambridge Energy Research Associates in Paris, says Italian power prices are up to 40% higher than Western Europe's average. Now that's a real shock. —With reporting by Jeff Israely

**BIZ
WATCH**
By ADAM SMITH

INDICATORS

RUNNING OUT OF ENERGY

A Houston judge rejected Yukos' bid for U.S. bankruptcy protection. The beleaguered Russian oil firm sought shelter last December in an attempt to block the sale of its core production unit. The decision clears the way for the merger of Russian gas major Gazprom with Rosneft, Russia's state oil company that acquired Yukos' prized asset.

WHAT METTLE!

Shares in European steel producers were dented after two of the world's largest mining companies negotiated a 72% hike in iron ore prices with Japanese steel mills. The agreements were interpreted as a sign of broader increases to come in the cost of iron ore, a key component in steel production.

DELAYED REACTION

German carrier Lufthansa said it was considering suing authorities for air-traffic disruption caused by the arrival of George W. Bush at Frankfurt Airport last week. The airline claimed the hub was affected for twice as long as originally planned.

ALTERNATIVE MEDICINE

What's the remedy for growing pains in the global pharmaceutical sector? For Novartis, it's generic: the Swiss firm last week swallowed Germany's Hexal and America's Eon Labs for \$8.4 billion, forging them into its existing Sandoz unit to create the world's largest manufacturer of off-patent, copycat drugs. A slide in blockbuster drug approvals in recent years—combined with the expiration of patents protecting a wave of branded drugs introduced in the '80s—has helped make generics big business.

Government encouragement of the sector means off-patent drugs account for more than half of the U.K. and U.S. markets by volume. Novartis CEO Daniel Vasella reckons the sector will be worth \$100 billion by 2010. But other Big Pharma firms have sold out of the low-margin generics business in recent years—so is Novartis risking an overdose? In a sector where "the cost of production is really important," says Frances Cloud, senior pharmaceutical analyst at Nomura in London, at least "being big does help."



French retailer E. Leclerc's new ad campaign, using images from the May 1968 revolts to attack high prices, is drawing criticism. PM Jean-Pierre Raffarin said it treats "violence as dialogue."

THE BOTTOM LINE "We believe we have the potential to earn more out of Macau than from Las Vegas." **WILLIAM WEIDNER**, president and COO of Las Vegas Sands, which is planning to open its second casino in the Chinese territory in 2007



Emergency services carry out a victim of the Tel Aviv bombing

forces to find out which group was behind it; and Palestinian security officials confirmed that the bomber, Abdullah Badran, was a member of Abbas's own Fatah faction of the P.L.O. But Fatah's Aqsa Martyrs Brigades militia denied involvement, as

did Hamas. Suspicion fell on Hizballah, the Lebanese fundamentalist group, but on Saturday Islamic Jihad claimed responsibility. Palestinian observers say Islamic Jihad—which like Hizballah gets backing from Iran—may have been pressured by the Lebanese group to claim the attack. Officials say Hizballah wants to kill the trust between Abbas and the Israelis. Abbas didn't accuse Hizballah directly, but said "there is a third party that is interested in sabotaging this period of quiet."

Unwelcome Return

IT WAS NO DOUBT INEVITABLE, but that only made it more depressing. A Palestinian suicide bomber shattered the region's three-month period of calm Friday night by killing four Israelis and injuring 50 outside a crowded Tel Aviv nightclub. The bomber, a 21-year-old student from a village near the West Bank town of Tulkarem, was the first since the November death of Yasser Arafat; he hoped to

destroy the tenuous trust that took root at a Feb. 8 peace summit in Egypt.

To keep him from succeeding, Palestinian security forces—which in the last four years have done little or nothing to apprehend those involved in such strikes—reacted energetically. The Palestinian police arrested two people in the West Bank; Palestinian President Mahmoud Abbas ordered his

Israeli politicians have thus far restricted themselves to urging the Palestinians to track down those responsible. (Late Saturday, Defense Minister Shaul Mofaz accused Syria of involvement; Damascus denied the charge.) If that restraint holds, perhaps the spirit of co-operation still has a chance to survive. —By Matt Rees and Jamil Hamad

NUMBERS



2,000 tons Amount of cow manure that caught fire in a feedlot near Lincoln, Nebraska, attributed to heat pent up inside the pile

4 months Length of time it took to extinguish the fire, by pulling apart the pile, which had grown to 30 m long by 9 m high by 15 m wide

Sources: Associated Press (2)

SCANDAL WATCH

MINISTERS FACE THE MUSIC

Politicians need to keep their houses in order, as French finance chief Hervé Gaymard found last week. Gaymard—one of Jacques Chirac's rising stars, with a brief that included government cost cutting—resigned under pressure over his housing expenses. He claimed to be insufficiently wealthy to buy his own pad, but in fact holds a property portfolio that includes three apartments and two country houses. And he isn't the only minister in the hot seat these days. Here's a sample ...



WHO Hervé Gaymard, France's ex-Finance Minister

THE SCANDAL Moved wife, eight children, and five servants into a €14,000-a-month Paris apartment; taxpayers footed the bill

HIS DEFENSE "If I hadn't been the son of a cobbler ... I'd be the owner of my own home and this affair would never have arisen."

WHAT NEXT? Could help mentor Chirac find a new proxy to battle fellow conservative foe, Nicolas Sarkozy



WHO Stanislav Gross, Czech Prime Minister

THE SCANDAL Faces calls to resign unless he can explain how he paid for his luxury Prague flat in 1999, and his wife gives up her business interests (she has said she will)

HIS DEFENSE Maintains that he borrowed money from a relative

WHAT NEXT? His coalition is on the brink of collapse, but he could still remain PM with the support of other political parties



WHO Joschka Fischer, German Foreign Minister and leader of the Green Party

THE SCANDAL A parliamentary committee is investigating allegations that he presided over lax visa rules, resulting in a surge in immigration

HIS DEFENSE Blame the staff: "For the possible lapses and mistakes of my employees, I bear the political responsibility."

WHAT NEXT? Lost his rank last week as the country's most popular pol, but is unlikely to quit

NOTEBOOK

BANNED IN BEIJING

THE CAMPAIGN SPEAR-headed by France and Germany to lift the European Union's ban on selling arms to China foundered at the E.U. summit last week. Anger at Beijing's human-rights abuses; the new Chinese "antiseccession" law authorizing war if Taiwan edges towards independence, which drew hundreds of thousands of protesters onto the streets of Taipei late last

Despite the embargo, China is still the world's biggest weapons importer as its military hustles to modernize—over 13 billion dollars' worth between 1999 and 2004, mostly from Russia, according to the Stockholm International Peace Research Institute. Can Europe sell China what it wants while still satisfying the U.S.? Last week, British M.P.s suggested that a new E.U. code of conduct being developed to replace the embargo might break the



Chinese military expansion takes off but the E.U. arms ban stays put

week; and intense pressure from Washington—which fears it might one day be on the receiving end of high-tech weapons in the Taiwan Strait—led several E.U. members to sidle away from a deal to lift the embargo by June.

Shen Dingli, a professor of international affairs at Shanghai's Fudan University, thinks Beijing "didn't expect this reaction" to the antiseccession law, even though a top aide to E.U. foreign-policy czar Javier Solana says European ministers warned their Chinese counterparts it would boomerang. Solana's aide says "nobody's closed the door" on lifting the ban, but admits "the tonality has really changed."

transatlantic impasse if it gave "absolute assurances ... that there will be no qualitative or quantitative increase in arms exports to China and that sensitive technologies will not be transferred." What Washington would really like is an arrangement like it has with Israel, which has sold \$35 million in arms to China since 2000. It clears purchases that might disturb the U.S. in advance. That degree of subservience won't fly in Paris or Berlin—nor end China's human-rights abuses. Sighs a British diplomat: "This mess isn't going away." —By J.F.O.

McAllister. With reporting by James Graff, Susan Jakes and Aharon Klein



“Freedom has finally come to us.”

KURMANBEK BAKIEV, Kyrgyzstan's new acting Prime Minister and President, on the wave of popular unrest that led long-time ruler Askar Akayev to flee the Central Asian republic after being accused of committing election fraud

“We used to be under sanctions and the economic conditions were dire, but never was the city so ugly. Between the chopped trees and the burned houses, it's a total mess.”

FADHILA DAWOUD, Iraqi school teacher, on the physical state of Baghdad

“The ‘D’ word is the farthest thing from my thoughts.”

FRANCIS HARVEY, U.S. Secretary of the Army, discounting the possibility of a draft, despite the likelihood that the army will fall short of its recruitment goals for March and April

“I do not want to end up with an American style of politics with us all going out there beating our chest about our faith.”

TONY BLAIR, British Prime Minister, discussing the role of religion in his country's politics

“I formally and categorically deny any personal implication, or implication of the patriarchy, in this alleged transaction, the details of which we know nothing.”

IRINEOS I, Patriarch of the Greek Orthodox Church, on the alleged sale of church land in Jerusalem's Old City to Jewish investors. Reports of the sale have angered Arab Orthodox Christians

“Have you ever heard the thunder real loud? It was like 10 times that.”

CHARLES GREGORY, oil refinery worker, on the deadly explosion at a BP refinery in Texas City, Texas, that claimed 15 lives

“I can't even count how many gunshots I heard; there were over 20 ... There were people screaming, and they made us get behind the desk.”

ASHLEY MORRISON, student at Minnesota's Red Lake High School, where fellow student Jeff Weise, 16, killed eight people in the deadliest U.S. school shooting since the 1999 attack at Columbine High School in Colorado. Two others were killed nearby

NOTEBOOK



▲ WHAT TO CALL THE NEW BRIDE? After the wedding, Camilla becomes **Duchess of Cornwall**. If Charles is crowned, she'll officially be Queen, but says she prefers the title Princess Consort.



▲ WHO WILL BE THERE? Queen Elizabeth and Prince Philip are the only close relatives who won't be at the civil ceremony; they'll join 700 guests for the religious blessing at Windsor Castle.

HOW ROYALS SHOW RESTRAINT

MARCH MADNESS HAS TAKEN ON A DIFFERENT MEANING IN BRITAIN, where the public is fixating on every new development concerning Prince Charles' impending marriage to Camilla Parker Bowles. From royal memorabilia to the missing mum, here's a guide to the muted extravagance they'll be serving up on April 8. —By Julie Rawe

▼ WILL WE GET TO WATCH? The only part of the wedding the couple have agreed to **televis**e is the 45-min. religious blessing—a far cry from Charles' last TV-wedding extravaganza.



▲ HOW WILL THE COUPLE MAKE THEIR GETAWAY? They will leave the civil ceremony in a 1962 **Rolls-Royce Phantom V** previously used by the late Queen Mother.

► HOW WILL WE REMEMBER IT?

So far, the few commemorative items include **stamps**, right, that were approved by the Queen, and unofficial tea towels.



PERFORMANCE OF THE WEEK



After decades of experimentation, the world's first black hyacinth, **MIDNIGHT MYSTIQUE**, has arrived. The three "ancestor" bulbs whose genes helped create the dusky shoot of bell-shaped florets were bought for over \$93,000 each. But the fashionable flower promises to recoup that investment and then some. Bulbs will sell for \$15 each—over 10 times the norm for hyacinths—and gardeners worldwide are already clamoring for the dark side of the bloom.



Do-It-Yourself Border Patrol

Fewer than 16 kilometers from the Mexican border, a vacant lot in Sierra Vista, Arizona, looks like a trash dump. Between the chaparral and scrub oaks are backpacks, sweat-shirts, jeans, sneakers, used toilet paper and water bottles

filled with urine. Chris Simcox, a small-town newspaper owner, flips through a book he picked out of the refuse titled *Aprenda Ingles sin Maestro* (Learn English Without a Teacher), shakes his head and says, "Welcome to the invasion."

Simcox, right, with a colleague, bristles at the term "vigilante"

More than 500,000 illegal aliens were caught last year in southern Arizona alone, some 52% of all undocumented migrants detained in the U.S. in 2004. Simcox, fed up with what he sees as government inaction in the face of lawlessness and a threat to national security, plans to do something about it. As head of a two-year-old group called the Civil Homeland Defense Corps, he is spearheading a new Minuteman Project that will place volunteers at half-kilometer intervals to watch a busy 80-km stretch of border for the entire month of April. The goal, he says, is not to confront migrants but to report their locations to the U.S. Border Patrol.

The movement has aroused fears of vigilantism. Mexican President Vicente Fox has called groups like Simcox's "immigrant hunters," and U.S. President Bush said last week, "I'm against

vigilantes." Jennifer Allen of the Border Action Network says she is preparing a human-rights complaint against the U.S. government for "failing to prosecute vigilante groups." Local officials in Arizona are nervous about hundreds of Minuteman volunteers coming from out of state, and Michael Nicely, head of Border Patrol's Tucson sector, says the Minuteman Project will "hamper border safety."

Simcox bristles at the term "vigilante," saying that his group is not detaining anyone, only fulfilling the President's post-Sept. 11 request that all Americans remain vigilant—and, in the process, providing a release valve for popular outrage. U.S. Customs and Border Protection officials, meanwhile, told Time they will announce a "significant increase in resources" this week to address the influx of illegal immigrants still crossing by land into Arizona.

—By Brian Bennett

CLOCKWISE FROM TOP LEFT: PALMSPIC; TIM GRAHAM—GETTY; ROYAL MAIL/GETTY; KEN GIFF; ROTA—INFOGFF; JOHN GILES—CPA

MICHAEL GROSS—ANATOLIA PRESS; AGENCY

Bushwhackers' Birthday



CULTURE WATCH

LAUNCH A LEFT-wing talk radio network in a medium ruled by America's bully pulpiteers of the right? They said it couldn't be done. Air America Radio exec Jon Sinton recalls the loud whispers before last year's start-up: "They said, 'Liberals aren't funny or engaging. A concept of a liberal network is stupid.'" For a while, they were right. After it ran out of liberal

Franken is now a factor



fat cats, Air America quickly started bouncing checks. It lost stations in Los Angeles and Chicago, and staff members went for months without pay or health insurance.

The story has a happy ending for liberals—or at least a promising second act. As it hits its first anniversary this week, Air America has expanded from six to 51 stations. It reaches more than 2 million listeners a week, and hosts like comic Al Franken and newly signed Jerry Springer offer strong appeal to the young and women. "I give them every benefit of the doubt," says Michael Harrison of the industry magazine *Talkers*. "They get publicity, they're selling ads." And they have imitators. Liberal talk is U.S. radio's fastest-growing format. If Air America hasn't yet drowned out Rush Limbaugh, it has at least found its own voice. —By Richard Corliss. Reported by Carolina A. Miranda

ILLUSTRATION FOR TIME BY PETER HOEY



Turks have been gripped by patriotic fervor. The national flag was on display across the country—flying from homes, taxis, city buses, banks and store fronts—after television news showed two boys trying to burn one during the Kurdish new year festival Newroz, when Kurdish nationalist sentiment traditionally runs high. Even Turkey's reticent but powerful military General Staff weighed in, issuing a statement describing the incident as an act of "treason" by "so-called citizens." Civilians, too, felt scorned. "Burning the

national pride in the public eye flag is a slap in our face," said Ahmet Güney, a shop clerk in Istanbul's busy Taksim district. "We must show that we will not tolerate this." Turks have always been patriotic, but the flag-waving may be more than a response to a relatively minor incident. "Left- and right-wing nationalists are uniting on what they call an anti-imperialist agenda," says political commentator Ismet Berkan, editor-in-chief of the national daily *Radikal*. The reaction

may be symptomatic of deepening national insecurity as relations with Europe deteriorate over eventual E.U. membership and recent allegations of police brutality. Ties with the U.S. are also frayed over uncertainties about post-war Iraq. Observers note that the country's best-seller lists currently include Adolf Hitler's autobiography *Mein Kampf* and *Metal Storm*, a fictional debut by two local authors in which the U.S. invades Turkey. "This is just the beginning," warns Berkan. "I expect this wave of nationalism to grow." —By Pelin Turgut

Hard Times

UNITED NATIONS Secretary General Kofi Annan proposed reforms to the global body, including enlarging the Security Council and establishing new rules for authorizing military force. The broadly welcomed proposals were overshadowed by further criticism over management of the Iraqi oil-food program and new calls for U.N. peacekeepers in the Democratic Republic of Congo to face charges of sexual abuse.

War Stories

BRITAIN Information Commissioner Richard Thomas is to review the government's decision not to disclose advice from Attorney General Lord Goldsmith on the legality of the war in Iraq. The review follows increasing pressure on Prime Minister Tony Blair to reveal why the Attorney General, who reportedly questioned the invasion's legality in early March 2003, might have changed his mind and backed the war. Thomas will decide whether the document should remain secret.

Open Verdict

LEBANON President Emile Lahoud signaled support for an independent investigation into the Feb. 14 assassination of for-

WORLD WATCH

By LILLIAN KENNETT

mer Prime Minister Rafik Hariri as a U.N. report concluded that Beirut's own inquiry was flawed and inconclusive. The U.N.'s report did not name a culprit in the bombing but cited Lebanese security failures and polarizing



tensions with Syria as factors in the killing.

Putin's Promise

RUSSIA President Vladimir Putin extended an olive branch to business leaders shaken by the state's controversial breakup of oil giant Yukos. He backed a proposal to exempt privatizations that took place over three years ago from judicial investigation. The announcement aimed to

boost confidence and revive investment in Russian business.

Mission Incomplete

INDONESIA The U.N.'s refugee agency pulled out of tsunami-hit Aceh ahead of new regulations for foreign relief agencies that could severely restrict aid workers there. The organization, which has experienced tension with Jakarta in the past over its support of Acehnese political refugees, was told the absence of refugees in Aceh made its presence unnecessary. Thirty-three million dollars raised by the group for reconstruction may now have to be returned to donors or diverted to other causes.

MEANWHILE IN JAPAN ...

Sumo Squabble

Guardians of the ancient Japanese sport of sumo blocked moves to allow competitors to wear short-like "sumo pants" rather than the traditional loin-cloth. Amateurs had hoped to spur youth interest by allowing more modest gear, but the professional body insists it has "no intention of allowing children in pants into the ring."



JUNG YEON-JE—AFP

UNDER PRESSURE

IS GERMAN CHANCELLOR Gerhard Schröder's coalition government in danger of falling apart? A lot depends on negotiations this week in the northern state of Schleswig-Holstein, where neither the ruling Social Democrats (SPD) nor the opposition Christian Democratic Union (CDU) managed to win a majority in a February state election. After incumbent SPD state premier Heide Simonis failed to build a minority government, the SPD and CDU have opened talks on a possible "grand coalition." The CDU has the advantage: by



Schröder is facing more trouble

walking away, it would trigger new state elections and almost certainly win. Failure to strike a deal could even force national elections—the last thing Schröder wants right now. The SPD's popularity slumped to 29% in a Forsa poll published in *Stern* magazine last week, while the CDU rose to 46%. Crucial elections take place on May 22 in North Rhine Westphalia, and recent polls show the SPD could lose that traditional stronghold to the CDU. Defeats in both states would give the CDU control of the upper house, the Bundesrat, putting a stranglehold on government legislation. Still, Jürgen Falter, a political scientist at the University of Mainz, thinks Schröder and his Green partners "have absolutely no alternative" to sticking together—and hoping the economy picks up. —By Charles R. Wallace



Chirac wants an end to the U.K. payback

The Rebate Debate

Can the European Union avoid another damaging bout of budget paralysis? That's the big question following last week's E.U. summit in Brussels, at which French President Jacques Chirac questioned why Britain should continue to receive a €4 billion annual rebate on its payments. In 1984, then Prime Minister Margaret Thatcher won the rebate for Britain by demanding: "I want my money back", and holding up E.U. business for months until she got it. E.U. leaders are supposed to fix a new budget framework this year for 2007-2013, and already there's disagreement over whether to increase the current €100 billion total by 1%—as France, Germany and some other fiscally-strapped members want—or by substantially more, as new members such as Poland are demanding. On the Continent, the rebate is considered anachronistic: Britain is no longer a relatively poor member state, as it was then, but one of the richest. Britain is set to take over the rotating six-month E.U. presidency in July, so optimists are hoping that current president, Luxembourg, can craft a workable compromise before then. Don't hold your breath.



INDICATORS

LUCKY BREAK?

Frankfurt prosecutors called off a probe into six Citigroup traders accused of manipulating the European government bond market last August, although a change to Germany's law made since could now make such trades illegal. Financial watchdogs elsewhere in Europe are still investigating.

BROKEN TRUST

The European Commission rejected Microsoft's proposals to curb the power of a monitor charged with policing its compliance with antitrust sanctions imposed one year ago. The firm has until April 11 to respond.

SMOOTH FINISH

Three banks seeking greater influence over the running of Formula One claimed victory in their legal dispute with the sport's supremo Bernie Ecclestone. The banks own 75% of SLEC, the firm that controls Formula One Holdings.

INTERNATIONAL CALL

Nordic telecom major TeliaSonera agreed to pay \$3.1 billion for a further 27% stake in Turkcell, giving it control over Turkey's largest cell-phone operator.

CROSS-BORDER BANK RAID

Italian banks are suddenly under assault from European rivals. ABN Amro of the Netherlands is expected to announce a bid for Banca Antoniana Popolare Veneta, Italy's ninth-largest bank, as early as this week. That follows this month's €6.5 billion

bid by Spain's Banco Bilbao Vizcaya Argentaria for the 85% of Banca Nazionale del Lavoro it doesn't already own. The moves amount to an earthquake for Italian banks, which are all firmly in Italian hands and have until now been able to count on the Bank of Italy to protect them from foreign takeovers. But the European Commission questioned that policy this year, putting Bank of Italy governor Antonio Fazio on the defensive. The attraction for foreigners: Italy's banking sector is highly fragmented and not very competitive, according to



All eyes on Italy's central bank

DOLLAR DOWNSIDE

Relative cost-of-living index, based on the dollar-converted price of a basket of goods and services:

Tokyo	141
Paris	127
London	121
Frankfurt	105
New York	100

SOURCE: Economist Intelligence Unit

Credit Suisse First Boston, meaning that greater efficiencies—and profits—can be wrung out of them.

THE BOTTOM LINE "No one can go it alone any longer." **WOLFGANG**

MAYRHUBER, Lufthansa CEO, on the pressure to consolidate within Europe's airline sector.

The German carrier last week agreed to a takeover of struggling Swiss International Air Lines

N O T E B O O K

WAVING OR DROWNING?

IT WAS LIKE A RERUN FROM the bad old days of Italian politics, when governments came and went at the rate of more than one a year. Prime Minister Silvio Berlusconi resigned last week after a disastrous showing by his center-right coalition in local elections. One partner, the Union of Christian Democrats (UDC), withdrew its ministers; another, the National Alliance (AN), threatened to do likewise. So Berlusconi quit, but

give more power to Italy's regions. Voters in the underdeveloped south, where the UDC and the AN draw much of their support, fear that will mean cuts in state subsidies. But another coalition partner, the Northern League, touts devolution as a way to lower taxes on the prosperous north. Berlusconi has tried to satisfy these divergent interests by giving something to everyone, including €6 billion in income tax cuts along with increases in public spending.



Berlusconi's credit with voters and allies is waning

quickly formed a new government by reshuffling his Cabinet. He appointed former Treasury Minister and Berlusconi loyalist Giulio Tremonti as deputy PM in place of UDC chief Marco Follini, who has distanced himself from the floundering leader. The Prime Minister had enjoyed the longest uninterrupted span in power since World War II, but his popularity has taken a hit and now he will struggle to make badly needed economic reforms before the next elections, which must be held by May 2006.

The touchiest issue within the coalition is a proposed change to the constitution to

Result: a growing budget shortfall, which the European Commission warns will equal 3.6% of Italy's GDP in 2005, well above euro-zone limits. "Berlusconi wanted to be like Bush, pursuing an expansionist policy by running a deficit," says opposition MP Enrico Letta. Having patched over coalition differences, the PM is playing it safe—he's stopped calling for income tax cuts, and though he dare not renounce the League's federalist goals, prospects for action on that front have dimmed. For the next year, Berlusconi's main mission will simply be to survive. —By Francis X. Rocca

“ VERBATIM ”

“The federal budget is on an unsustainable path.”

ALAN GREENSPAN, Federal Reserve chairman, warning that unless lawmakers come to grips with spiraling U.S. deficits, the economy is at risk of stagnation “or worse”

“We dropped the ball, but we’re not trying to cover anything up.”

WALTER WEBER, town clerk of Monticello, Wisconsin, on the town officials forgetting to hold a spring election as required by law

“If we can achieve it, it will be a model for the rest of the world.”

JOHN HOWARD, Australia's Prime Minister, on his nation's proposed free-trade agreement with China—the first between China and a developed country

“I would have thought his advanced age and unstable health [were] reason enough for the Cardinals to pick someone else.”

FATHER GEORG RATZINGER, brother of Benedict XVI, on the College of Cardinals' choice of his younger sibling as Pope

“I'd like one of those big papal hats, and maybe three days/two nights at the Vatican hotel they built for the conclave.”

ROGERS CADENHEAD, blogger from Florida, on what it might cost the Vatican to take over the Internet domain name benedictXVI.com he registered in the days before the papal election

“A new member of your editorial staff called *Teufel*—Mr. Devil—must have slipped in. Your headlines stink of him, of sulphur, of rotten eggs.”

FRANZ JOSEF WAGNER, columnist for Germany's Bild newspaper, writing in response to British tabloid headlines—such as the Sun's “From Hitler Youth to . . . Papa Ratz” —that greeted the new Pope

“I think that fellow is still writing for the *Times*.”

PRESIDENT BUSH, after quoting a New York Times article from 1861 that poked fun at Abraham Lincoln's mastery of English, at the opening of the Lincoln museum in Springfield, Illinois

“I didn't want to end up being Governor of California.”

BILL RICHARDSON, Governor of New Mexico, when asked why he did not use steroids during his career as a baseball player

Sources: Reuters; Milwaukee Journal Sentinel; International Herald Tribune; AP; Reuters; Bild; New York Times; AP



The public spat between Raffarin, at right, and de Villepin is hurting the French government

Trouble At the Top

PUNCH AND JUDY HAVE nothing on Jean-Pierre and Dominique, France's pugilistic conservative politicians. Prime Minister Jean-Pierre Raffarin and his Interior Minister Dominique de Villepin have long discounted press reports that de Villepin is after his boss's job. But last week the gloves came off when de Villepin took to the radio and declared that France needed new policies and direction—and indicated he'd be available to provide that leadership, confessing he was one of those "who all their lives prepare to fulfill missions." Change, he said, should "take ... into ac-

count the feelings, hopes, and frustrations being expressed" by a fearful French nation that requires "policies more proactive, bolder and more socially aware." Though never explicitly naming himself heir apparent to Raffarin, de Villepin's ambitions seemed obvious when he indicated his comments had been cleared by his mentor President Jacques Chirac.

The spat comes at an awkward time for the government. Chirac has been unable to halt the advance of the no campaign ahead of the May 29 referendum on the European constitution—according to a poll by BVA, 58% reject the document—

and many people are angry over unpopular reforms and the stalled economy. Speculation is rife that Raffarin will be pushed aside after the vote. But he was quick to respond to de Villepin's remarks, saying he'd received the full backing of the Elysée and had put the dapper Interior Minister "back into place." Though the Prime Minister may have saved face, the fight has left the ruling party with a black eye. "De Villepin is right that Raffarin's gone after the referendum, but saying so may have cost him the job," predicts an official of the ruling conservative Union for a Popular Move-

MEANWHILE IN AUSTRALIA



Next stop Children's Court for a Melbourne teen who allegedly stole two of the city's electric trams in less than 48 hours. The **15-YEAR-OLD OBSESSIVE TRAM FAN** took one of the 27-ton vehicles on a 40-minute joyride, picking up unsuspecting passengers along the way. His road trip ground to a halt when the tram company cut the electricity. Although the boy was charged with nine offenses, including two counts of tram theft, company officials say the incident wouldn't count against him if he applied for a position as conductor one day—as long as he's old enough to drive.
—By Lillian Kennett

ment (UMP) party. "With public opinion as negative as it is, the last thing we needed was a fight in our own locker room."
—By Bruce Crumley

IS ARNOLD IN PERIL?

Could Arnold Schwarzenegger's honeymoon finally be ending? It seemed that way last week, when the Californian Governor responded to a question about illegal immigration by saying the U.S. should "close the borders" with Mexico to stop "all of those people coming across." The gaffe infuriated the state's Hispanic voters, and Schwarzenegger rushed to explain he had meant to say "securing our border," blaming

the misunderstanding on a "language problem." But suddenly, the Governor's heavily accented bons mots didn't seem so charming: political circles were buzzing that Schwarzenegger, whose approval rating has plunged from 65% last year to 49%, may have lost his groove.

To complicate matters, a power struggle divides his staff. A conservative faction, including Schwarzenegger's chief of staff, is at war with a liberal one



A Governor bash earlier this month in San Francisco

Like Father, Like Son

LEBANON SEEMS TO HAVE perfected the art of averting crisis. Prime Minister-designate Najib Mikati formed a caretaker government last week, and gave assurances that parliamentary elections will be held by the May 31 constitutional deadline. At least for now that seems enough to head off another round of mass demonstrations planned by opposition leaders, who had accused the Syrian government of seeking to delay balloting that its Lebanese allies are almost certain to lose. In a further sign of Syria's diminishing influence, Jamil al-Sayyed, Lebanon's feared pro-Syrian intelligence chief, and Ali Hajji, head of the country's internal security forces, stepped aside. Meanwhile, Syria was expected to complete the withdrawal of its 15,000 troops in Lebanon in time to win favorable comments in a United Nations report due out this week. With a new political era dawning, citizens learned



Saad Hariri may run for Prime Minister

the name of the man who may be their future Prime Minister: Saad Hariri, son of Rafik Hariri, the billionaire tycoon and popular politician

whose assassination on Feb. 14 triggered the mass protests and international pressure that forced Syria to pull out its forces. Last week, the Hariri family formally announced that Saad, 35, one of Hariri's four sons from two marriages, would take up his late father's political role. Saad, who until now has run his father's business empire in Saudi

Arabia, seems a virtual shoo-in for Prime Minister if he chooses to run. Many hope that Saad can finish the job of rebuilding and reuniting Lebanon his father began. "He is very capable and

very serious," says Marwan Hamade, a leading opposition MP. "He has the knowledge and the guts. From where he is now, Rafik Hariri should be satisfied."

—By Scott MacLeod



Anti-Syrian protesters have set up camp in the capital

STEVE BRINT—(57) ANHAR AND SABBO—(58) CA



led by Arnold's wife Maria Shriver, who has taken a newly aggressive role in trying to burnish his image. "Nobody really knows who is in charge," says Allan Hoffman, a Republican strategist in Los Angeles. "His followers want to rally around the flag, but they can't find the flagpole." Schwarzenegger spokesman Rob Stutzman says the press has mischaracterized "robust discussion as a split."

The timing of Schwarzenegger's troubles could not be worse. He is trying to sell an ambitious program of political and economic reform, and has al-

ready been forced to postpone an amendment—one of four he had hoped to push through this year—that would overhaul the state's pension system. With his pugnacious style angering the state's powerful unions, one observer, ex-Governor and current Oakland Mayor Jerry Brown, says that Schwarzenegger may want to "evaluate his range of adversaries and look for ways in which accommodations can be made." But Arnold might find that proposing amendments is easier than making amends.

—By Umesh Kher. Reported by Terry McCarthy and Jeffrey Ressler

REELING IN THE TOURISTS

Just when you thought it was safe to spend the summer watching reruns, Martha's Vineyard is launching its first annual Jaws Fest to lure movie buffs to the Massachusetts resort island where the shark tale was filmed. The three-day event in early June will mark the 30th anniversary of Steven Spielberg's first blockbuster with an outdoor screening and appearances by Jaws novelist Peter Benchley and co-screenwriter Carl Gottlieb, along with displays of movie props and behind-the-scenes photographs. (Universal Studios' commemorative DVD set won't be available for a couple more weeks.) The reunion won't be complete: actors Roy Scheider and Richard Dreyfuss have not yet agreed to come, and the director has already said he will be tied up in Los Angeles completing his latest thriller, *War of the Worlds*. Also absent from the festivities will be the three mechanical sharks used in the picture, all of which were nicknamed "Bruce"—after Spielberg's attorney—and have long since fallen apart. Unlike the film's fictionalized Amity Island, Martha's Vineyard has never been plagued by unprovoked shark attacks, although a great white was spotted off the coast of a nearby island last year. "We're celebrating the arrival of Hollywood, not any predators," says a rep from the local Chamber of Commerce, who spoke without irony. —By Jeffrey Ressler



A resort isle lauds its Jaws

UNIVERSAL STUDIOS/PHOTO FANTASIES

IRAQ'S NEXT FAULT LINE

THE BUSH ADMINISTRATION has hailed the new Iraqi government as a major step toward bringing stability to the country. But some U.S. officials are fretting about Iraqi plans to remove as many as 9,000 members of the security, intelligence and police services identified as former members of Saddam Hussein's Baath regime. Such a move could wreck the forces that the U.S. has spent two years and \$5 billion training, according to U.S. officials in Baghdad and



Shi'ites protest disappearances they pin on Sunni insurgents

Washington, and sideline thousands of former mid-level men now fighting the insurgency. "We want to see the Iraqi security forces take a bigger role," says a U.S. official in Baghdad. "Purging these people without reference to their loyalty now or their competence will set that back."

The de-Baathification push is led by the Shi'ite-dominated United Iraqi Alliance, the biggest bloc in the new government, which accuses outgoing Prime Minister Iyad Allawi of packing security forces with ex-Baathists. Defense Secretary Donald Rumsfeld has privately warned Prime Minister Ibrahim al-Jaafari against a mass purge. With the insurgency raging, some Iraqis fear that the plan will drive newly unemployed officers to join the rebels. Says one Iraqi captain: "If the government has 1,000 enemies, they will have 10,000 enemies." —By Christopher Albritton

Will phones fall to online requests?



What Listing, Please?

Searching the Web can bring the world to your door. But if you only want a tap fixed or a pizza delivered, you can end up wishing the world would just go away. Business directory suppliers have been struggling for years to make money from their local online listings for small businesses; most pizzerias and plumbers don't need the global reach of the most popular search engines and are reluctant to pay to advertise on the less used, local ones. But the arrival in the U.K. last week of Google Local (local.google.co.uk), could be the answer. Google's new service, which has been available to U.S. consumers for a year, presents users with two search boxes: what and where. The results are drawn from the 2 million business listings held by Yell.com, the online version of the U.K.'s Yellow Pages, and augmented with detailed maps showing the precise location of the desired establishments. Follow a link and Google Local will even draw the

route for you. Why would Yell, whose own site offers similar services, sell info to a competitor? "It's a benefit to the advertisers who pay us money," says Yell spokesman John Salmon. Paying for more prominent listings, he says, gives companies "an additional shop window." For Google, and its competitors like Yahoo!, local search advertising has become a hot new revenue stream; last week the California-based pioneer announced first quarter revenue of \$1.26 billion—nearly

double its turnover for the same period last year. "Search is integrating itself into every part of our lives," says Danny Sullivan, editor of *Search Engine Watch*. "And local is one of the big things the search engines are targeting, because they know there's a lot of money in there." In Europe, search engine marketing—paid-for listings and services that boost online visibility—will generate €1.9 billion this year, according to a survey last month by Forrester Research. Germany and France are the next likely markets for Google Local, but it takes time to get the details right. Keywords like "pubs" and "curry," and visual cues like making the map motorways blue to match the road signs, were important in England, says Kate Burns, Google's managing director of U.K. sales. "One thing we've learned as a company is to act locally and to treat each market as idiosyncratically as its demands," she says. As they say in France, "Cherchez la ... pizza?"

BIZ WATCH
By MICHAEL BRUNTON

LOWER TAXES, FASTER TRACKS

Low-cost airlines are not the ultimate word in cheap transport, it turns out. EasyJet has halted its twice-daily flights from Paris to Marseille because the discount was losing a battle for customers with the French railways. The high-speed TGV train can now do the 660-km trip in just three hours, about the same as flying if you include early check-in times and travel to the airport, and has been offering one-way fares as low as €38. Jean-Cyril Spinetta, the

chairman of Air France, says that airport taxes on that route alone come to €51, so there's no way airlines can compete on price. "Is it legitimate that this can happen?" Spinetta asks, pointing out that the French national railway continues to receive huge subsidies—while European Union rules now ban airlines from taking state handouts. An EasyJet spokesman says the airline took on the route two years ago as a trade off for getting slots at Paris' Orly



France's TGV takes flight

RAISES APPRAISED

Average collectively agreed pay increases in 2004

Netherlands	1.3%
Germany	2%
Britain	3%
Euro zone	3.1%
Poland	5.1%
Romania	12%

SOURCE: EURO

airport. It still flies from Paris to Toulouse and Nice, two destinations where the TGV doesn't travel at full tilt—yet. —By Peter Gumbel

THE BOTTOM LINE "We cannot compete with China on lower wages, so we must be better, not necessarily cheaper." **GUNTER VERHEUGEN**, European Commission Vice President, calling for more investment in research and development

NOTEBOOK

AN X FOR AL-ZARQAWI?

MYSTERY HAS always surrounded Abu Mousab al-Zarqawi, the leader of al-Qaeda in Iraq. But the latest puzzler is whether he's still in the picture. After an initial report on an Islamic website asked Muslims to "pray for the recovery of our

demise do much to quell the rampaging insurgency? "When you start taking out large numbers of their experienced leadership, you significantly damage the effectiveness of the organization," says U.S. House Intelligence Committee chairman Peter Hoekstra. A Western diplomat in Baghdad says al-Zarqawi's death would be a "very important thing" and would hurt funding and



Sheik Abu Mousab al-Zarqawi from an injury he suffered for the sake of God," reports flew rapidly: he had been wounded by gunfire in the lungs, or shrapnel hit his stomach and legs; he was hurt in a clash with U.S. forces a month ago and spotted at a hospital in Ramadi, or he was injured a week ago and was out of the country. Some suggested he had already died; a later report insisted he was "in good health and running the jihad himself." Officials in Iraq and Washington expressed hope that the man blamed for many of the kidnappings and assassinations, and the latest wave of bombings that has left more than 600 dead in the past month, might be history.

But would al-Zarqawi's

recruiting, especially for the "high-end suicide bombings" usually attributed to non-Iraqis. But others point out that the foreign fighters al-Zarqawi is said to command seem to represent only a small percentage of the rebels in Iraq; the bulk of the insurgency, made up of disaffected Iraqi Sunnis, runs itself. "We face a thinking, adaptive enemy," says U.S. Marine Commandant General Michael Hagee, "and they have a seemingly inexhaustible supply of manpower." Says a foreign military commander familiar with the region: "There are hundreds to replace al-Zarqawi." —*By Aparisim Ghosh. With reporting by Christopher Allbritton, Timothy J. Burger and Sally B. Donnelly*



"The idea of people expressing themselves in opposition to government, then getting beaten, is not our view of how a democracy ought to work. It's not the way that you have free elections."

GEORGE W. BUSH, U.S. President, criticizing the violence surrounding the Egyptian referendum, which asked—for the first time—whether multicandidate presidential elections should be allowed. Police beat protesters who believe the vote is superficial

"There is little doubt that China will be in deep trouble if the [avian-flu] pandemic were to strike in the next few years. It has a moral obligation to its own people, and to the world, to rectify the situation as soon as possible."

DR. DAVID HO, U.S. AIDS researcher, warning in an article in the medical journal *Nature* that China is dangerously unprepared for an outbreak of the H5N1 virus

"U.S. war maniacs' rockets reflect their dark intent to find an excuse to launch a pre-emptive nuclear strike against our republic."

KOREAN CENTRAL TELEVISION, North Korea's national TV network, responding to U.S. warnings that the country may be preparing to conduct its first nuclear test

"The defense rests."

THOMAS MESEREAU, defense attorney for Michael Jackson, surprising court watchers by closing his case just minutes after the prosecution showed jurors an hour-long videotape of the accuser's initial interview with police over the child-molestation allegations

"Google is still, you know, perfect... you should buy their stock at any price."

BILL GATES, chairman of Microsoft, sarcastically expressing skepticism over the perceived infallibility—and high share price—of the world's leading search-engine company

"In Nepal there is an ethnic group for whom climbing Mount Everest is as easy as eating breakfast. Maybe we'll go up with them."

LIU JINGMIN, executive vice president of the Beijing organizing committee for the Olympic Games, says officials are considering taking the Olympic flame to the top of Everest during the torch relay

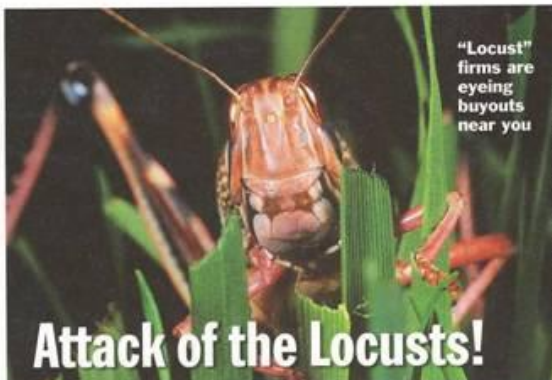


NOTEBOOK

The U.N.'s Hot Video Game

What's the most effective way to get First World kids caring about Third World problems? The answer, according to the United Nations' World Food Programme (WFP), is an action-packed humanitarian video game that lets players rack up points for air-dropping food rations and surveying war-torn populations on the fictitious island of Sheylan. "The gaming market is saturated with blood and guts and gore. Ours isn't like that," says Justin Roche, the game's project manager at WFP headquarters in Rome. "We've turned the concept on its head by addressing the urgency and immediacy of a real crisis situation." The agency spent some \$400,000 developing the game, which in its first six weeks has been downloaded—for free—more than 800,000 times at food-force.com. (It was among the top five action/adventure downloads on Apple.com.) The site includes lesson plans for teachers and background info on the fictional Food Force aid workers, like a mustachioed Brazilian who, his bio reveals, joined 15 years ago after reading about the WFP's work on its website. After a gamer pointed out that the Web barely existed in 1990, the Brazilian replied diplomatically, "The game is set in the year 2026; it was back in 2011 that I signed up."

—By Wendy Cole



"Locust" firms are eyeing buyouts near you

Attack of the Locusts!

Not long ago, going public was the hottest move a company could make. These days, it's going private. Private equity funds are soaring worldwide, particularly in Europe, where the value of buyouts rose by 23% last year to €80 billion, according to the U.K.-based Centre for Management Buy-Out Research, and seems likely to keep rising. Not everyone likes the trend; German officials have likened the firms to "locusts." But U.S. funds alone have trebled their investments in Europe over the past four years. Many of them are currently raising huge war chests for further acquisitions. They include Goldman Sachs, which last month raised a further \$8.5 billion, and the Blackstone Group,

which the *Financial Times* reported last week was planning a new record-breaking \$11 billion fund. Indeed, private equity has become such a force that the mere rumor of a forthcoming deal can have a huge impact on stock prices. Shares in Whitbread, the British brewing and restaurant firm, jumped by almost 9% last Thursday on speculation that several private equity firms are circling. The stock dropped back again a bit on Friday; the company didn't comment. Why the flurry? Private equity funds typically oversee big management and strategic changes after a buyout, including closing down or dumping money-losing assets. But they're not long-term owners; they usually hope to sell their holding for a profit after four to five years. Many public firms have grown weary of the bureaucracy and expense required to keep regulators satisfied. And Mark Pacitti, a corporate finance partner at consultants Deloitte in London, notes that "private equity will make the difficult decisions that established [public] companies may be reluctant to do." Such cold-bloodedness is what evokes the "locust" comparison; so far, though, that hasn't been bad for business. —By Peter Gumbel

WATCH ▲ BIZWATCH ▼ BIZWA

LEAPFROGGING ROCK STARS

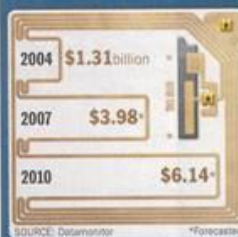


When British rockers Coldplay released the first track off their new CD last week, you could almost sense the relief at record label EMI. Chairman Eric Nicoli partly blamed a 13% dip in annual profits on the delay of the group's latest album. All the more irritating, then, that Crazy Frog's Axel F, mixing the theme tune from the *Beverly Hills Cop* movie with an infuriating mobile-phone ring tone—think two-stroke scooters voiced by an animated frog—outsold Coldplay's single fourfold

last week, according to music retailer HMV. Exploiting the Crazy Frog's appeal (the ring tone is sold across Europe, the U.S. and Australia), the track looks set to top the British singles chart this week, a first for a ring tone. That "might be a little embarrassing" for Coldplay, admits HMV spokesman Gennaro Castaldo, but it's a hit with Jamster!, the Berlin-based mobile-phone entertainment firm that's already earned millions in Crazy Frog ring-tone sales. Jamster!, which is owned by U.S. software firm VeriSign, receives a

CHIPS AHOY

Global sales of Radio Frequency Identification devices are set to soar:



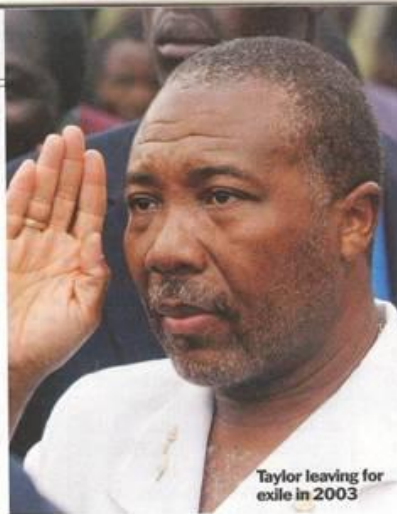
slice of sales of the CD single, due for release in France this week. Will ring tones soon regularly out-sell rock stars? Do the French like frogs' legs? —By Adam Smith

THE BOTTOM LINE "Any place where there are more than 50 investment bankers per square foot is a great place to be." BRENT HOBERMAN, CEO of last minute.com, on networking at the Chelsea Flower Show, an event popular with the U.K. business elite

Trial and Error

FORMER LIBERIAN LEADER Charles Taylor was sent into exile nearly two years ago after eight years of leading a brutal insurgency and another six years of bloody rule—but he has apparently rejected the idea of a quiet retirement. Officials at the U.N.-backed Sierra Leone war-crimes tribunal told the Security Council in New York City last week that Taylor is now working closely with representatives of al-Qaeda to try to destabilize the region. “Al-Qaeda has been in West Africa. It continues to be in West Africa, and Charles Taylor has been harboring members of al-Qaeda,” tribunal prosecutor David Crane told a press conference after the president of the

tribunal appeared before the Security Council. Chief court investigator Alan White said he has evidence that Taylor “and others” were behind a January assassination attempt on Guinean President Lansana Conte. In addition, he said, Taylor had funneled money from al-Qaeda to a man who later announced his candidacy for Liberia’s presidency. Through a spokesman, Taylor, who now lives in Nigeria, denied the allegations. The Sierra Leone court, Western governments and human-rights groups are cranking up pressure on Nigeria to hand



Taylor leaving for exile in 2003

that Taylor has committed crimes from Nigeria, he will extradite Taylor only to Liberia. “The President keeps asking to see the evidence,” says Obasanjo spokeswoman Remi Oyo, who points out that Nigeria agreed to grant Taylor asylum under pressure from Western nations. “All we get is statements and soundbites on television. But we need to see evidence, or we will not be seen as credible and honorable members of the international community.” Nigeria may have a point, but don’t expect the war-crimes tribunal to let up until it snares the biggest name on its list. —By Simon Robinson

Taylor, who faces 17 counts of war crimes and crimes against humanity for his role in the brutal conflict in Sierra Leone, over to the court for prosecution.

But Nigerian President Olusegun Obasanjo says that, short of “irrefutable evidence”

GREAT LEAP BACKWARDS

Is Zimbabwe’s President Robert Mugabe trying to set an African record for mass arrests? It certainly looks that way. Two weeks ago, police launched a violent crackdown on illegal traders in Zimbabwe’s biggest cities—the government blames them for fueling inflation, now at 129%. Operation Restore Order has so far netted more than 15,000 people for hoarding maize and dealing in foreign currency. Many Zimbabweans believe there are darker reasons for the sweeps, which have included incidents of police brutality and destruction of property. Most of those targeted live in urban areas that

overwhelmingly backed the opposition Movement for Democratic Change (MDC) in parliamentary elections last March. Many believe the arrests are payback for perceived disloyalty and a warning that antigovernment unrest will be met with force.

But the arrests may also be a way for Mugabe to make nice with his new patrons in China. As he tries to cope with the world’s fastest-shrinking economy, he has developed a Look East policy designed to curry favor with Asian powers, especially Beijing. China has begun to give arms and planes to Zimbabwe; in return, the MDC charges, Zimbabwe is giving China land. The Chinese government is helping to build Mugabe a new mansion on the outskirts of Harare, the capital. And Chinese traders are flooding the country with cheap shoes and clothes—and immigrants to sell them, too. The crackdown on Zimbabwean sellers will remove competition in this sector, alleges MDC leader Morgan Tsvangirai. “The Chinese are not so interested in short-term material gain; they’re after long-term influence and power in the region,” says Isaac Maposa, director of Zimbabwe Institute, an opposition-aligned think tank. “But Mugabe has to look like he’s thinking of them after all the help China’s given him.” —By Simon Robinson

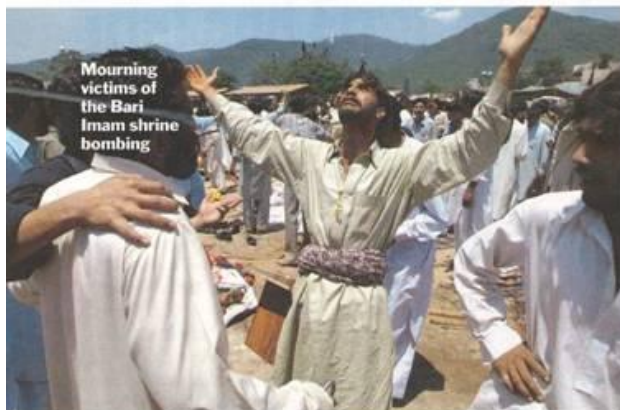
A whip-wielding guard controls a crowd outside a grocery store in Harare last month



MEANWHILE IN RUSSIA



Bulking up their pigs for slaughter is not enough; some Russian farmers are giving new meaning to the term “streaky bacon” by training and breeding them for speed. The sport of **PIG RACING** is back in Russia after a century-long hiatus. “These swine are long legged, lean, nimble, in good sporting form and craving victory,” says the president of the newly-formed Federation of Sport Pig Breeders. More likely craving victory’s spoils: a bucket of carrots at the finish line. —By Jessica Carsen



Mourning victims of the Bari Imam shrine bombing

A Bloody Holiday in Pakistan

LAST WEEK, SUNNI AND SHIA Muslims traveled to Islamabad's Bari Imam shrine to commemorate the life of Shah Abdul Latif Kazmi, a 17th century Sufi saint—and rebuke the deadly sectarianism bedeviling Pakistan. Instead, Friday's gathering became a bloodbath when a terrorist blew himself up in a tent full of Shia celebrants, killing at least 20.

President Pervez Musharraf responded with a call to oppose "anyone trying to incite hatred." But sectarian violence has worsened under his reign. Musharraf has been reluctant to act against militant groups, largely to avoid alienating the fundamentalist parties keeping his secular political

opposition at bay. "The government does not recognize the threat homegrown terrorists pose to Pakistan's stability," says Samina Ahmed of the Brussels-based NGO International Crisis Group.

A week earlier, 58 clerics in Lahore had signed a fatwa condemning suicide bombings against Muslims. But many hard-line Sunni militants, whom authorities suspect are behind the bombing, do not consider Shi'ites, Sufis and moderate Sunnis "real" Muslims at all. "There is no place in Islam for such acts," insists Mufti Munibur Rehman, who signed the fatwa. Sadly, there seems to be a place for them in Pakistan. —*By Phil Zabriskie and Ghulam Hasnain*

SILENCE AFTER THE STORM

The government of Uzbekistan violently quelled an uprising in Andijan in mid-May; now it's harrying those who contradict the official version of events. Late last month, Uzbek President Islam Karimov's security police arrested human-rights campaigners across the country, including lawyer Saidjahon Zainabidinov. It was Zainabidinov who alerted international human-rights monitors that the government might not be telling the whole story about what happened in Andijan.

Uzbek authorities claimed that 173 people died, mostly militants. But based on first-hand experience and other eyewitness accounts, Zainabidinov said the death toll could be as high as 1,000—and demanded an international inquiry. The government answered with slander charges that could mean up to five years in prison. Said Muzaffarmirzo Iskhakov, the Andijan chair of the Ezgulik (Goodness) human-rights group: "They did not let his family see him, or even send him some food."

Surat Ikramov, chair of Uzbekistan's Initiative Group of Independent Human Rights

Defenders in Tashkent, told TIME that police have subjected more than 40 protesters in the Uzbek capital to repressive measures, including detention in unknown locations and house arrests. And he says other activists have been harassed or arrested in the country's Fergana,



Zainabidinov could face five years in jail

Kashkadaryinsk and Djizak regions. Karimov's government has repeatedly rejected calls for an independent inquiry, despite mounting international pressure. "Karimov is digging his own grave," says Oleg Panfilov, a Central Asia expert in Moscow. "The tragedy is he's dragging his entire country along." —*By Yuri Zarakhovich*

EVERYONE KNOWS IT'S WINDY

The party in late May on the tiny, remote Shetland island of Unst, Britain's northernmost inhabited chunk of rock, was a real gas—literally. Islanders bopped to an enthusiastic set of '50s and '60s favorites performed by the Bonxies, perhaps the only rock band powered by a hydrogen fuel cell. The electricity that amplified their guitars and keyboard came from a hybrid wind-into-hydrogen system that is part of the world's first community-owned hydrogen production plant, built on this island of 700 inhabitants. "Despite all the hype around the hydrogen economy, there

appeared to be very little to show for it in practice," says Sandy Macaulay, project manager for PURE (Promoting Unst Renewable Energy) and Bonxies lead guitarist. Two 15-kW wind turbines provide cheap and clean electricity to the island's industrial estate. Surplus power goes through hydrogen production and storage equipment, and the zero-carbon gas is bottled for future use. PURE hopes to expand hydrogen's applications beyond powering and heating the small industrial estate and running Scotland's only road-licensed hydrogen car. Up to five days' worth of power can be stored, says technical director Ross Gazey. Could that run out after five days of no wind? "With weather like we have here," says Gazey, "that's never going to happen." —*By Maryann Bird*



Storing hydrogen gas on Unst

N O T E B O O K

44 V E R B A T I M

“Conservatives saw the savagery of 9/11 in the attacks and prepared for war. Liberals saw the savagery of the 9/11 attacks and wanted to prepare indictments and offer therapy and understanding for our attackers.”

KARL ROVE, White House adviser, in a speech at a Conservative Party fund raiser in Manhattan, prompting calls from Democrats for his resignation or an apology, which the Administration dismissed

“Isn’t it time for you to resign?”

SENATOR EDWARD KENNEDY, Massachusetts Democrat, questioning U.S. Defense Secretary Donald Rumsfeld during a Senate hearing on the Iraq war about the “series of gross errors and mistakes” made on his watch

“They’re very well treated down there. They’re living in the tropics. They’re well fed.”

U.S. VICE PRESIDENT DICK CHENEY, defending the treatment of prisoners in Guantánamo Bay, Cuba

“The Constitution this week is being nibbled to death by small men with press secretaries.”

REPRESENTATIVE GARY ACKERMAN, New York Democrat, speaking on the House floor against a constitutional amendment that would allow Congress to outlaw debasing the U.S. flag

“Nothing is to prevent the State from replacing any Motel 6 with a Ritz-Carlton, any home with a shopping mall, or any farm with a factory.”

JUSTICE SANDRA DAY O’CONNOR, U.S. Supreme Court, in a dissenting opinion in the 5-to-4 ruling that local governments in the U.S. may force property owners to make way for private development when officials decide it would benefit the public, even if the property is not blighted and the project’s success not guaranteed

“I kept my promise.”

MICHAEL SCHIAVO, in an inscription on the grave marker for his wife Terri, whose ashes were buried last week after an epic legal battle over her end-of-life wishes, referring to a pledge he made, before she suffered brain damage in 1990 and lapsed into a coma, that he would never keep her alive artificially

“You don’t know the history of psychiatry. I do.”

TOM CRUISE, actor and Scientologist, criticizing Matt Lauer after the morning-news-show host questioned the film star’s earlier disapproval of actress Brooke Shields for taking antidepressants

IRAN’S NEW HAND

HARD-LINER IS not a nice word, even for hardliners. So, immediately after his stunning landslide last week, Mahmoud Ahmadinejad declared that as Iran’s new President, he would not be shutting Iran off from the rest of the world or curtailing the Internet or taking

wily political veteran Ayatollah Ali Akbar Hashemi Rafsanjani, 70, who ran on a pragmatic platform that promised accommodation with the West. But Rafsanjani could not consolidate support from the country’s liberal and progressive voters who were wary of his family’s largely unexplained wealth and unhappy about the corruption that grew under his watch as



Ahmadinejad, with finger ink stained after voting

the country back to the 9th century. His Iran, said the erstwhile mayor of Tehran, would be modern and strong (meaning nuclear powered) and rich, with prosperity to be shared among all classes, not just the élite. Still, the streets of Tehran’s better-off northern districts were like a ghost town full of zombies, with residents in shock over the accession of a little-known revolutionary and Islamic zealot. “We are doomed,” said Nasser Soroudi, 33, a salesman at a photo shop. He, like many of his countrymen, believes that the new President will turn their country into “Taliban-land.”

The unassuming Ahmadinejad, 48, defeated the

President from 1989 to 1997. So while Iran’s economically disadvantaged classes, Islamic militias and web of religious social-action groups provided Ahmadinejad with 62% of the votes, Rafsanjani could muster only 36% in a country almost evenly split along ideological lines and where many younger people—more than 50% of the population—want liberalization. “I know a government by Ahmadinejad will mean regressing to the fiery days of the revolution,” says Sepideh Ahmadi, 24, who works for a software company. “But I couldn’t bring myself to go and vote for Rafsanjani.”

The biggest winner in this election is Iran’s Supreme

Leader Ayatullah Ali Khamenei. Since succeeding to the head of the theocracy with the death of Ayatullah Ruhollah Khomeini in 1989, Khamenei has always had to contend with rival conservatives like Rafsanjani or with reformist Mohammed Khatami, who has held the presidency since then. While that office has always been much less powerful than that of the venerable Supreme Leader (Khamenei, while theoretically above politics, runs Iranian foreign and nuclear policy from behind closed doors), the presidency has been a strategic bully pulpit for those with ideas different from the theocracy. Now with Rafsanjani humiliated at the polls and reformists crying in the wilderness, Khamenei has an acolyte as President. Ahmadinejad, says a political scientist based in Tehran, will effectively function as Khamenei's "executive



Supreme Leader Khamenei votes

secretary." The opposition in Iran grumbles that Khamenei's hand—and funds—may have given the modest Ahmadinejad's campaign a huge and unfair boost. The former mayor's supporters say otherwise. Says one: "We believe God's hand is

higher than everything else and it was his hand that made the people go and vote." Still, says Sadeq Zibakalam, a political analyst at Tehran University, "The people of Iran would be naive to believe that Ahmadinejad was one of them, a simple man with no backing. Ahmadinejad is just the tip of the iceberg. Behind him are the regime's most powerful political and military institutions."

The Bush Administration has never been swayed by the reformist face of Iran over the past few years and remains unmoved by Ahmadinejad's soothing words after the election. "We will judge the regime by its actions," said Joanne Moore, a State Department spokeswoman. Relations between Washington and Tehran are unlikely to be warmed by the new lineup. "With neoconservatives in power in Washington, it is

dangerous to have neoconservatives in power in Tehran," says an Iranian political scientist.

The hard-line triumph in Iran is already causing deep anxiety in neighboring Iraq, which is riven by Sunni and Shi'a factionalism. Now some Iraqis worry that whatever remains of their fragile détente may be shattered by pro-Shi'a Iranian interventionism. Says Isam al-Rawi, an outspoken Sunni cleric in Baghdad:

"Ahmadinejad is a man with narrow religious views, and he wants to export these." But Iraq's Shi'a establishment, which has deep ties to Iran, is nonplussed. "Ahmadinejad is a young man, a new player," says Rada Jawad Taqi, a Shi'a member of Iraq's interim National Assembly. "We have no relationship with him at all, but we have to build one now." —By Aparism Ghosh, Scott Macleod, Elaine Shannon and Nahid Siamdoust

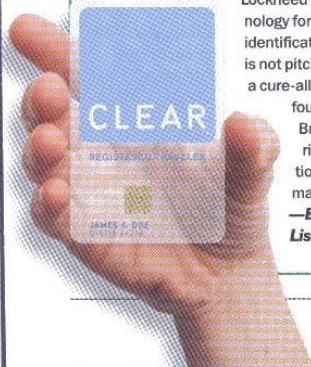
SELLING SECURITY CLEARANCE

In the hopes of speeding up unpredictably slow lines at airports, more than 1,000 travelers at Florida's Orlando International Airport signed up within 24 hours of last week's rollout of **Clear Card**, the first privately run prescreening security program. Customers who pay a \$79.95 annual fee and submit to fingerprint and iris scanning—plus a background check by the U.S. Department of Homeland Security—can be ushered through a dedicated fast lane at airport security checkpoints, exempt from secondary searches. Verified Identity Pass Inc. is trying to reassure civil libertarians, who are concerned that the system could be used to spy on consumers, with a promise not to track cardholders' movements or sell their personal information. But the company, which relies on

Lockheed Martin technology for its biometric identification cards, is not pitching itself as a cure-all. Says VIP

founder Steven Brill: "This is not risk elimination. It's risk management."

—By Barbara Liston



NASCAR: THE U.S. ARMY'S UNLIKELY ADVISER

Now that every branch of the U.S. military sponsors a stock-car team, the armed services are looking to NASCAR (National Association for Stock Car Auto Racing) for more than just a recruiting vehicle. Some of the techniques and equipment perfected on the tracks could easily benefit the Pentagon's trucks and aircraft. For starters, Carlson Technology, which advises teams on how to shave seconds off pit stops, and Roush Industries, which manages nine teams—including one sponsored by the U.S. Army National Guard—have shown the Army's National Automotive Center, near Detroit, how to reduce significantly the time it takes to change out the engine on a humvee. The Army could also use

transponders similar to the ones NASCAR installs in cars to track their positions in a race, so military commanders can monitor all their vehicles on the battlefield. And amid an Army investigation into a recent spate of rollovers in Iraq that may have been caused by tacked-on, top-heavy armor, the service hopes to build on

The U.S. Army may borrow some of NASCAR's technology

NASCAR engineering to reduce rollovers for the next generation of vehicles that will replace the 20-year-old humvee.

One piece of NASCAR ingenuity already deployed in Iraq: the layers of clear plastic sheets on the front of race-car windshields, which crews can quickly tear off each time oil or grit obstructs the driver's view. Similar Mylar sheets are now used on Black Hawk helicopters, whose windshields in the past had to be routinely replaced after getting pitted by desert sand. A set of layered sheets, which costs \$1,100, is a lot cheaper than the \$15,000 windshields. Could an invasion of flashy logos be far behind? —By Douglas Waller



Spy Games

NOT EVEN THE CLOSEST allies, it seems, always work together. Italian prosecutors have issued warrants for the arrest of 13 alleged American C.I.A. operatives suspected of abducting **OSAMA MUSTAFA HASSAN**, an Islamic cleric in Milan, in order to take him to Egypt. Prosecutors allege that the 2003 operation was an "extraordinary rendition," in which terror suspects are seized and sent to other countries for interrogation and, in some cases, according to former captives, torture. At the time of his

abduction, Hassan was under investigation by Italian authorities for alleged links to al-Qaeda. The Italians say they have photocopies of the Americans' passports placing them in Milan and mobile-phone records showing calls to each other and to Egypt. The C.I.A. and the U.S. embassy in Rome declined to comment.

Depending how it's resolved, the episode could add to Italian disenchantment with U.S. foreign policy. "This was not only gravely illegal, but also very damaging in the battle against terrorism," prosecuting magistrate Armando Spataro told TIME.

—By Jeff Israely



ANSA/PATREPA

THE RIGHT STUFF

Having laid low while President Jacques Chirac took the heat for losing France's referendum on the European constitution, Nicolas Sarkozy is back, in the guise of a self-styled crimebuster. After an 11-year-old boy was killed by a stray bullet while washing the family car in La Courneuve, a desolate banlieue outside Paris, France's newly reappointed Interior Minister vowed that "the thugs will disappear" and that he'd "cleanse" the quarter. Two days later, Sarkozy decreed that a man who had been granted early release from life imprisonment

is now implicated in the June murder of a 37-year-old jogger. "The judge must pay for his mistake," Sarkozy fumed before an assembly of gendarmes at the Interior Ministry.

The combative tone suggested to many that Sarkozy, who as head of the governing Union for a Popular Movement (UMP) is already eyeing the 2007 presidential elections, is gunning for the hard-right

voters of Jean-Marie Le Pen's National Front. If so, he'll have to contend with his own government first. Justice Minister Pascal Clément noted that "the law, all of the law, was respected" in the prisoner's early release, and Prime Minister Dominique de Villepin lectured that "nothing should put in question the independence of the judiciary." For his part, the judge in question accused Sarkozy of "demagoguery," and the Superior Council of Magistrates filed a formal complaint with Chirac. UMP parliamentary deputy Jean-Michel Fourgous said the intense reaction shows that for Sarkozy, "the threat comes from Chirac's people, not the National Front." But it's with Chirac's people that Sarkozy governs. "He knows that his brand of economic liberalism isn't popular in France, so he's compensating with a dose of moral conservatism," says Stéphane Rozès, director of the French polling firm CSA Opinion. "But he can't go much further in that direction without having to choose between the government and his own ambitions." —By James Graff



Sarkozy has moved right on law and order

PHILIPPE WOJAZEK—REUTERS



Hawi's mourners fear more assassinations

MAHMOUD TAWIL—AP

MURDER AND TURMOIL

The Lebanese elections that ended on June 19 were supposed to herald a new era of independence from Syrian control. But the killing of another prominent anti-Syrian figure has overshadowed the opposition's success in securing a majority in the new parliament. George Hawi, a former secretary-general of the Communist Party and a critic of Syria's domination of Lebanon, died when a bomb exploded beneath his Mercedes in a busy Beirut street. Hawi was the second anti-Syrian activist to die in June, and many in Lebanon blame the murders on Syria and its allies in the Lebanese intelligence services, though Syria denies involvement.

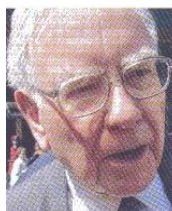
Rising tensions seem unlikely to abate unless Emile Lahoud, the pro-Syrian President, resigns, but he refuses to do so and the opposition bloc is short of the two-thirds majority required to begin impeaching him. That portends a potential deadlock between a President determined to see out his term and an opposition-dominated

government that believes Lahoud was involved in the murder of former Premier Rafik Hariri. "How can you have Lahoud sitting around the same Cabinet table with ministers who are united by the one thought that he is responsible for the death of their historic leader?" asks Chibli Mallat, professor of international law at St. Joseph University in Beirut. And as this stalemate deepens, Lebanese fear that another assassin's bomb will be used to try to break it. Walid Jumblatt, leader of Lebanon's Druze sect and a senior opposition figure, thinks he could be one target. In a television interview he called on his followers to "behave calmly and peacefully" should he be assassinated. "This is my last will and testament," said Jumblatt, who rarely leaves his heavily guarded home south of Beirut. Some opposition activists are taking extra security measures but many of them feel dangerously exposed. "I'm trying," says Ziad Majed of the opposition Democratic Left movement, "but if they want to get you, they can."

—By Nicholas Blanford

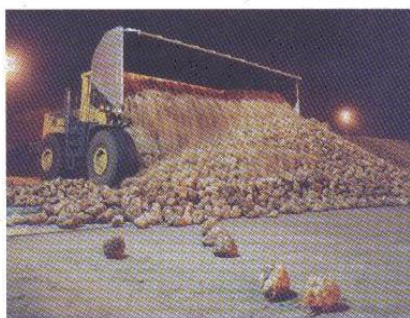
Betting On a Fall

WARREN BUFFETT MAY BE the greatest investor ever. But his long-term philosophy, which was ridiculed as he avoided the dotcom boom—and vindicated as he avoided the bust—is being scrutinized once more. The buy-and-hold billionaire is up to his ears in exotic investments known as derivatives, which are used to bet on things like the weather and the direction of interest rates. Derivatives were at the core of the 1994 bankruptcy



Buffett: his buck bet went bad

of California's Orange County and the 1998 demise of hedge fund Long-Term Capital Management. Buffett once called them "financial weapons of mass destruction," so you'd think he'd steer clear. But his company, Berkshire Hathaway, has acknowledged a \$307 million pretax loss in the first three months of this year due to a \$21.4 billion position in "currency contracts," which are derivatives that in this case hit pay dirt when the dollar falls. Problem is, the dollar is rallying. The greenback—up 4% against the euro in the first quarter and an additional 8% since then—shows no signs of stalling, and Jim Bianco of Bianco Research estimates that Buffett's losses this year have surpassed \$1 billion. Sweden has just surprised the world by cutting interest rates, which could trigger rate cuts throughout Europe and a further euro slump. Yet Buffett is sticking with his bet. "There's no change in the underlying factors affecting currencies," he said, adding that in the long run, the U.S. trade deficit has to weaken the buck. But it's not all bad news for Buffett fans. He first bet against the dollar as it was falling in 2002 and remains in the money overall. —By Daniel Kadlec



A Spoonful of Reform

The long, sweet deal for Europe's sugar producers seems to be coming to an end. The European Commission has announced plans to cut the guaranteed prices paid to sugar producers by 39% over the next two years. That should shave some €1.6 billion off the E.U. budget, and lower prices for consumers. This change to the 40-year-old sugar policy was widely anticipated after the World Trade Organization last year decided that the E.U. was infringing international trade rules by giving subsidies to its sugar exporters that distort the world market. But the cuts announced by E.U. Commissioner Mariann Fischer Boel were deeper than expected, and prompted a sour reaction from Europe's sugar industry, which accounts for 13% of

Europe's sugar beets have been dumped on world markets, but that's going to change

world production. Shares in Britain's Tate & Lyle tumbled after it warned that profits could be reduced by more than \$150 million over the next two years. Other losers are the least efficient E.U. sugar growers, mainly in Greece, Ireland, Italy and Portugal, as well as 18 countries in the Caribbean that have a duty-free deal with the E.U. that allows them to sell raw sugar at fixed prices. "This is a devastating proposal that must be fought tooth and nail," said Ian McDonald, chief executive of the Sugar Association of the Caribbean. The Commission's proposal must still be approved by E.U. governments, but Fischer Boel insisted there's no alternative. Any failure to act, she said, "would mean a slow and painful death for the European sugar sector." One consolation: European confectionery and biscuitmakers say the new prices will make them more competitive. How sweet it is. —By Peter Gumbel

CROP PROPS

Government support as a proportion of farm revenues



WATCH BIZWATCH BIZWAT

GETTING POSH IN PRAGUE

Thanks to the likes of Easyjet and Sky Europe, the flow of budget-conscious tourists into Central and Eastern Europe is becoming a flood: visitors to Budapest are up 37% during the first quarter of 2005; international arrivals in Warsaw in March were up 35% to 509,000; and Serbia has announced \$2.8 billion in subsidies to kick-start tourism there. But having skimped on the fares, it seems many tourists want to swank it up in style. Warsaw now has eight five-star hotels—twice as

many as in 2002. Hungary is building two of them a year and Bulgaria already has 23. Particularly popular are the five-star spas and "wellness" centers. For now, supply is outpacing de-

mand, meaning typical room rates of €200 a night can be halved by package deals. "They aren't typical Hilton guests in jackets and ties," says Paul Kovacs, spokesman for the Hilton Budapest, which gets heavy weekend traffic. "These are young people, 25 to 40, mainly couples. They go on travel tours. They drink beer. It's leisure," he says. Look out, though, when the British stag parties start arriving, says Marketa Sebkova of the Hilton in Prague. "They are loud. They get drunk." On fine champagne, no doubt. —By Michael Brunton



Luxury hotels hit Eastern Europe

THE BOTTOM LINE "Oil prices aren't really going to turn down until the global economy turns down. I could see oil at \$90 a barrel." PHILIP K. VERLEGER, JR.,

senior fellow, Institute for International Economics in Washington, as oil prices neared \$60 a barrel

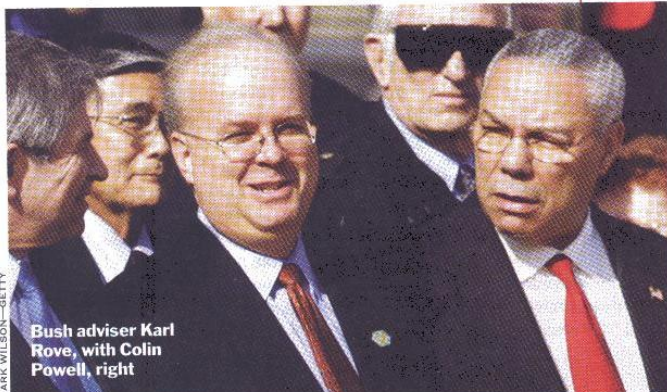
NOTEBOOK

WHEN THEY KNEW

AS THE INVESTIGATION tightens into the leak of the identity of covert CIA operative Valerie Plame, sources tell TIME some White House officials may have learned she was married to former ambassador Joseph Wilson weeks before his July 6, 2003, Op-Ed piece criticizing the Bush Administration. That

trip from Carl Ford, head of the U.S. State Department's Bureau of Intelligence and Research. Sources familiar with the memo, which disclosed Plame's relationship to Wilson, say U.S. Secretary of State Colin Powell read it in mid-June. U.S. Deputy Secretary Richard Armitage may have received a copy then too.

When Pincus' article ran on June 12, the circle of senior officials who knew about the



MARK WILSON—GETTY

Bush adviser Karl Rove, with Colin Powell, right

prospect increases the chances that White House official Karl Rove and others learned about Plame from within the Administration rather than from media contacts. Rove has told investigators he believes he learned of her directly or indirectly from reporters, according to his lawyer.

The previously undisclosed fact gathering began in the first week of June 2003 at the CIA, when its public-affairs office received an inquiry about Wilson's trip to Africa from veteran Washington Post reporter Walter Pincus. That office then contacted Plame's unit, which had sent Wilson to Niger, but stopped short of drafting an internal report. The same week, U.S. Under Secretary of State Marc Grossman asked for and received a memo on the Wilson

identity of Wilson's wife expanded. "After Pincus," a former intelligence officer says, "there was general discussion with the National Security Council and the White House and State Department and others" about Wilson's trip and its origins. A source familiar with the memo says neither Powell nor Armitage spoke to the White House about it until after July 6. John McLaughlin, then deputy head of the CIA, confirms that the White House asked about the Wilson trip, but can't remember exactly when. One thing he's sure of, says McLaughlin, who has been interviewed by prosecutors, is that "we looked into it and found the facts of it, and passed it on." —*By Massimo Calabresi. With reporting by Timothy J. Burger, Michael Duffy and Viveca Novak*

“ VERBATIM

“Sept. 11 for me was a wake-up call. A lot of the world woke up for a short time and then turned over and went back to sleep again.”

TONY BLAIR, British Prime Minister, speaking during a news conference prior to the arrest of the suspected July 21 bombers

“I didn't say nuke anything. I just said, 'Take out their holy sites.'”

TOM TANCREDO, Republican Congressman from Colorado, clarifying his comments on how the U.S. should respond to a nuclear attack by Islamic terrorists

“It isn't just a matter of faith. It's a matter of science.”

BILL FRIST, U.S. Senate majority leader and an anti-abortion physician, supporting federal funding for stem-cell research on frozen embryos left over at fertility clinics, in a bill opposed by President George W. Bush and religious conservatives

“Mr. Mugabe is a man of strong convictions, a man of great achievements, a man devoted to preserving world peace and a good friend of the Chinese people.”

AN YONGYU, Communist Party secretary of the China Foreign Affairs University, which is controlled by the Foreign Ministry and last week named the Zimbabwean President an honorary professor

“It was bigger than my village.”

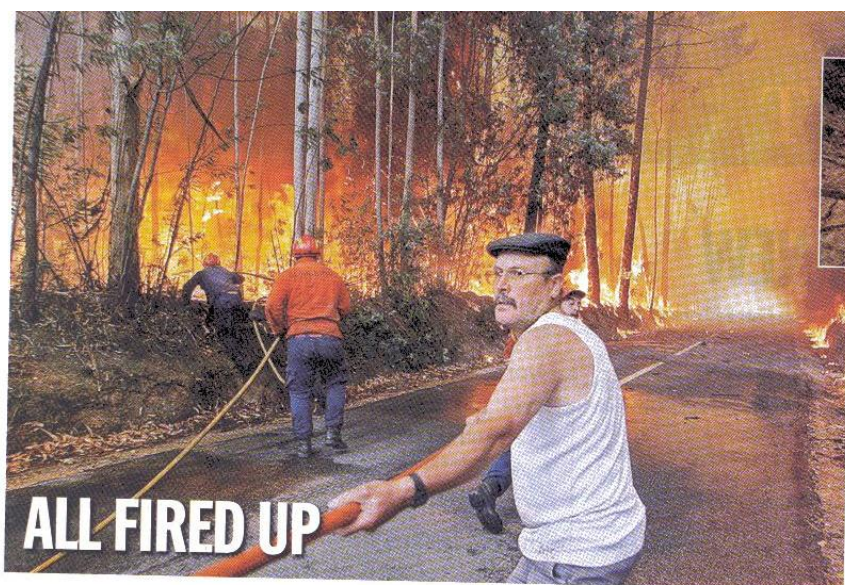
ALI AL-SIROWIY, father of a 13-year-old Iraqi boy who underwent facial-reconstruction surgery in the U.S. for injuries caused by a U.S. cluster bomb, after he and his son visited Wal-Mart

“Our family is under constant pressure from all sides. It's painful and hard but I beg you, with all my heart and soul, to surrender.”

LJILANA KARADZIC, wife of fugitive Bosnian Serb war-crimes indictee Radovan Karadzic, during an emotional televised appeal for her husband to give himself up

“I promise I will become a spokesperson if you allow me to ... I will defend you and try to get rid of any stereotypes.”

RICKY MARTIN, the Puerto Rican singer, offering to help change Westerners' negative perceptions of Arab youth



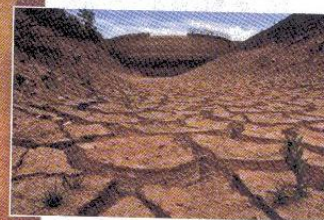
ALL FIRED UP

IN MUCH OF SOUTHERN Europe, desiccated by one of the worst droughts of the last 60 years, wildfires are raging—and tempers are rising. All of Portugal, where fires are consuming an estimated 1,000 hectares a day, has been declared a severe drought zone. Spain, where rainfall in the first half of the year was 35% below average, is still in a political clinch over a July 16 blaze that killed 11 firefighters; the opposition Popular Party claims the Socialist govern-

ment didn't act quickly enough to bring the situation under control. Such political battles could intensify, since experts warn that drier conditions are here to stay. Earlier this year European Commission researchers reported that while precipitation has increased in northern Europe over the past 100 years, it has decreased by as much as 20% in parts of southern Europe and the Mediterranean countries. The combination of diminished supply and increased demand

for water is already causing scraps over who gets what.

Last week the environment ministers of Spain and Portugal agreed on how to mete out scarce supplies. Portugal said it would use 15% less water from the Douro River, which flows from central Spain into the Atlantic at Porto. But such comity was met with bafflement by some; Portuguese farmers complained that while their Spanish counterparts can profit from the recently completed Alqueva



PARCHED: Villagers in northern Portugal fight a fire, left; a dried-up Portuguese reservoir, above

Dam in southern Portugal, close to the Spanish border, no irrigation system yet exists to get water to their own parched fields and livestock. "They are going to give the Spaniards water to irrigate their crops and then the Spaniards will sell their crops back to us," says Diogo Morgado, president of an agricultural association on the south bank of the river.

In the long term, consumption will have to be scaled back if water is not to become a flashpoint in Europe, where governments "still try to manage the supply rather than solving the demand problem," says Michael Scoullon, chairman of the Mediterranean section of the Global Water Partnership. Golf courses are an obvious target, but agriculture, which soaks up more than 70% of supply in the region, won't be spared. —By

James Graff and Martha de la Cal

A FAREWELL TO ARMS

As the four men suspected of trying to bomb London's transport system on July 21 were apprehended last week, another group of terrorists said it was laying down its weapons. In a DVD video, I.R.A. veteran Seanna Walsh—who spent 21 years in prison for munitions offenses—stood before an Irish flag to read a statement formally ending the organization's 36-year armed campaign to force Britain out of Northern Ireland. By ordering its members to "dump arms" and adopt "exclusively peaceful means," the I.R.A. leadership signaled that their decades-long quest for Irish unity now rests in the hands of their political counterparts in Sinn Féin. The statement prompted a sudden surge forward in the peace process. The British army began demolishing some of its remaining installations, and the I.R.A. said it was ready to dispose of all its weapons with witnesses from the Protestant and Catholic churches present.

But can Northern Ireland's Troubles end that easily? Unionists, led by Ian Paisley, a fiery Free Presbyterian preacher, point out that the I.R.A. has made lots of promises in the past without ever fully giving up violent and criminal activities—or intimidating witnesses so that no one is ever prosecuted. "Does [the statement] mean that if they're involved in crimes, the rule of law applies to them the same as everybody

else?" asks Paula McCartney, whose brother Robert was murdered by I.R.A. members in January in a bar brawl. One man is awaiting trial for the killing, but police suspect at least nine people were involved in the attack. "It's time to put some meat on the bones," says Alan McBride, whose wife and father-in-law were killed by an I.R.A. bomb in 1993. "People judge them on what they do." To address the skepticism, leaders in London and Dublin asked a watchdog body to report next January on whether the I.R.A. is sticking to its vow.

Many of the approximately 1,500 I.R.A. members could well enter the political struggle for a united Ireland by working for Sinn Féin. In the seven years since the Good Friday Agreement brought a fragile peace, Sinn Féin has grown while the I.R.A.'s influence waned. Led by Gerry Adams, Sinn Féin is now the biggest nationalist party in Northern Ireland, with 24 seats in the Northern Ireland Assembly. And they have gradually become an influential political force in the Irish Republic, too, where they even threaten Irish Prime Minister Bertie Ahern's hold on working-class North Dublin. But there's also a

risk that splinter groups could keep the violence going. "Nothing has changed," a defiant source from the Continuity I.R.A. told TIME. "There is still a British presence that has to be removed." To counter that threat, I.R.A. members will need to show the same determination to keep the peace as they once displayed to wage war. —By Chris Thornton/Belfast. With reporting by Mairead Carey/Dublin and Andrea Gerlin/London



BACK TO THE TABLE

When negotiating with enigmatic, totalitarian North Korea, progress can be maddeningly hard to achieve. That's why, when the on-again, off-again six-party talks restarted last week after a 13-month hiatus, U.S. Assistant Secretary of State Christopher Hill warned reporters not to expect the impasse over North Korea's nuclear-weapons program to be resolved soon. "I want to caution people not to think we are coming to the end of this," said Hill, who is the U.S. point man for the talks being held in Beijing.

For a world made uneasy by North Korea's claim that it possesses atomic weapons, it was heartening that negotiations were taking place at all. Three previous rounds of talks—which began in 2003 and include the participation of China, South Korea, Japan and Russia—ended without a positive result; diplomats feared the process might break down completely. But there was evidence of modest progress last week. For one thing, there was a series of private discussions between the two main players, the U.S. and North Korea, that seemed to indicate a softening of the Bush Administration's stance that it would not deal directly with Pyongyang. Considering the high stakes involved, "neither Pyongyang nor Washington want to be blamed for having things break down," says Peter Beck, Seoul-based head of the International Crisis Group, an independent think tank.



Despite hopes, talks with the North have accomplished little

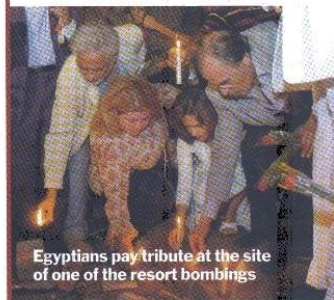
ELIZABETH DALZIEL/AP

While negotiations continued over the weekend, little headway appeared to be made on substantive issues. There was general agreement that the Korean peninsula should be "denuclearized," but no accord on what that meant. North Korea, which has stated it needs nuclear weapons to defend itself against a "hostile" U.S., is arguing that a deal must include removal of any U.S. nuclear threat in the region—a nonstarter with Washington. The North also wants to keep its nascent civilian nuclear program, but the U.S. fears that would mean Pyongyang could still sell the building blocks of nuclear-weapons technology to terrorists and rogue nations. The two countries also remain at loggerheads over the timing of aid given to the North in exchange for verifiable disarmament. Negotiators appeared willing to declare the fourth round a success if the parties simply signed a statement of "agreed principles." The details were not made public. "It's hard to talk about progress until you have an agreement," Hill said on Saturday. Get ready for a fifth round. —By Susan Jakes.

With reporting by Donald Macintyre/Seoul

THE BEDOUIN CONNECTION

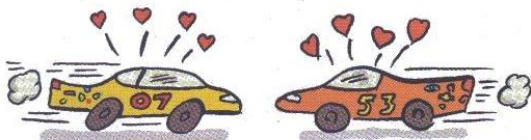
When suicide bombers killed 88 people in the Egyptian resort of Sharm el-Sheikh on July 23, many assumed it was the work of al-Qaeda. That connection is not being ruled out, but Egyptian officials are also focusing their investigation on Bedouins who may have had a very local motive: payback. The theory, says Egyptian political analyst Amr el Choubaki, is that the bombers may have been lashing out at the government for its aggressive pursuit of suspects in the October 2004 terrorist attacks that killed 34 in Taba and another Sinai resort. Egyptian officials blamed the 2004 attacks on a gang of local Bedouin led by a Palestinian extremist. Bedouins were enraged when security forces rounded up some 3,000 locals and allegedly tortured



Egyptians pay tribute at the site of one of the resort bombings

AYMAN—REUTERS

some of them in the hunt for the Taba terrorists. Though el Choubaki thinks the Sharm el-Sheikh attacks were probably orchestrated by a group related to al-Qaeda, he says, "It may be that some Bedouin participated as revenge" for their treatment after Taba. Last week, President Hosni Mubarak floated plans for tougher counterterrorism measures. Announcing his candidacy for a fifth term, Mubarak proposed replacing Egypt's draconian emergency laws, which have been criticized for encouraging human-rights abuses, with measures more streamlined to fight terrorism. Activists worry that the move could thwart political change. "I don't think Mubarak has any intention to reform," says Hisham Kassem, chief of the independent newspaper *Al Masry Al Youm*. "He just needed something to embellish his presidential campaign." It will take more than words to prevent another atrocity. —By Scott MacLeod and Lindsay Wise



DATE.COM IS SO 2004

ONLINE DATING HAS BOOMED into a \$500 million industry. But as sites for singles multiply, the old one-size-fits-all approach seems hopelessly outmoded. Here's a look at some new trends in digital romance.

■ **"AM I 4 U?"** A new U.S. service called Match.com Mobile enables online daters to transfer their profiles to cell phones,

which they then use to search for—and send text messages to—nearby singles. In Britain, the 3G Dating Agency takes things a step further, enabling video messaging on high-tech phones.

■ **DATE RATERS** If you're wondering whether Goliath279 is really the 1.8-m-tall

Gap model he claims to be, sites like *Lemondate.com* and *Truedater.com* offer consumer protection. Posting reviews of online-dating candidates by people who have met them, the sites help you avoid mistaking a married man for an eligible bachelor.

■ **NICHE MARKETS** Need to narrow the choices? E-daters this summer are flocking to a growing number of super-specialized singles sites. Bikers, smokers, Democrats, NASCAR devotees and people with sexually transmitted diseases can surf sites of their own.

—By Jeremy Caplan



PLAYING THE FIELD

ANOTHER SUMMER, ANOTHER Asian fundraising tour by Europe's top soccer clubs. Cashing in on the game's popularity in the region, Real Madrid and Manchester United between them last week kicked their way through Hong Kong, Bangkok, Tokyo and Beijing, racking up multimillion-dollar appearance fees along the way. Lesser teams, too, are parading before Asian fans. Rotterdam's Feyenoord went to work in Nanjing late last month, and even Sheffield United, from England's second division of clubs, rounded off its own three-game tour of China last week. The team's big attraction? Veteran Chinese



Sheffield United showcased China's Hao on the club's tour of the country

star Hao Haidong. "We're looking at [China] as a long-term enterprise," says Terry Robinson, Sheffield United's vice chairman. The perception has been that Chinese fans are easily pleased, but expectations are rising. Beijing's Workers' Stadium was two-thirds empty for Man U's game; fans in the same arena jeered Real Madrid's halfhearted showing. Players will only "do what they have to do to drive the interest," suggests Rob Mason, managing director of London-based sponsorship consultant firm SBI. "There are signs fans are getting wise to this." That's something to tackle next summer.

—By Adam Smith

Not Business As Usual

German business has always had a spotless reputation for moral probity. Lately, however, a succession of corruption scandals has dented the country's corporate self-image. In June and July, fraud and bribery charges were leveled against top executives at carmaker Volkswagen and at Infineon, Europe's second largest computer-chip maker. Now another iconic national brand, BMW, is making unsavory headlines. Last week, one of the firm's sales managers was arrested on allegations of taking up to \$100,000 in bribes from an east German supplier for funneling orders its way. So far, the executive hasn't commented. Even the media are tainted. In July, public television network ARD sacked two of its top sports editors who, prosecu-

Cases of alleged corruption in corporate Germany have become more spectacular in recent weeks tors say, had taken fees from organizers of minor sporting events in exchange for coverage. Despite these high-profile cases, corruption watchdogs say Germany is still pretty clean. "Corruption hasn't become more frequent," says Ludolf von Wartenberg, director general of the Federation of German Industries in Berlin. "It's just that the cases have become more spectacular." Indeed, studies indicate that Germany's corporate sector, together with its public authorities and political institutions, is actually becoming less dodgy. The latest corruption index published by Transparency International (TI) rates Germany as the world's 15th cleanest country—up five places since 2001. Since corruption costs the ailing economy a whopping €350 billion a year, the government—no matter who's running it after the election in September—had better keep this development going. —By Ursula Sautter

COMING CLEAN

Germany scrubs up well in an index of perceived corruption ("highly clean" scores 10)

RANK	COUNTRY	SCORE
1	Finland	9.7
2	New Zealand	9.6
3	Denmark	9.5
3	Iceland	9.5
5	Singapore	9.3
15	Germany	8.2

SOURCE: TI Corruption Perceptions Index 2004

ZWATCH ▲ BIZWATCH ▼ BIZWAT

NEXT YEAR'S MODEL

The average working life of a car, statistics say, is 16 years. Jürgen Schrempp, head of DaimlerChrysler since 1995, didn't last quite that long. Schrempp is the architect of the controversial 1998 tie-up of Daimler-Benz and Chrysler, the biggest between two firms in industrial history. The merger, he expected, would combine the strengths of the powerful, complementary automotive firms and create a competitive, international corporation. Since then, he's been criticized for expanding at a time of dwindling demand and stiff competition. Last week, DaimlerChrysler's supervisory

board unexpectedly announced that the 60-year-old executive will step down at the end of 2005, more than two years before his contract ends. His successor, Dieter Zetsche, 52, who's credited with turning around the ailing Chrysler business in the U.S., will be hoping he can work a similar feat with Daimler. A new, streamlined strategy would help. "Instead of continuing to meddle with too many products in too many markets, they need to concen-

Schrempp ran out of gas at Daimler

trate on their core business," says Rolf Drees, an analyst with asset management company Union Investment. "The new CEO may achieve just that." Though Schrempp is on his way out, DaimlerChrysler's numbers are looking up. The group's net profits were up 28% to €737 million last quarter, while sales grew 4% to €38.4 billion—a result that exceeded forecasts. Investors reacted positively. By the close of trading at the Frankfurt stock exchange Friday, the group's shares had shot up more than 9% to the highest level since 2002.

Seems everybody likes the smell of a new car president. —U.S.



THE BOTTOM LINE "Prodi's euro screwed everybody." **SILVIO BERLUSCONI**, Italian Prime Minister, blaming Italy's economic woes on the terms negotiated by former Premier and now opposition leader Romano Prodi for entry into the single currency



The earthquake and its aftershocks caused heavy damage in Niigata

Throughout the week, Japanese television networks showed dramatic footage of the devastation. In one of the most riveting—and miraculous—moments, rescuers found a car containing a mother and two of her children entombed under a pile of rubble. After being buried for four days, the 39-year-old mother and three-year-old daughter were dead, but the two-year-old son, Yuta Minagawa, emerged, dehydrated and hypothermic, but alive.

The relief distribution center at Tokamachi was feeding about 12,000 people nearly a week after the first quake. It had sufficient rice and water, but other centers ran short of food, clothing and medicine, and officials admitted that temporary housing units for people whose houses were destroyed were still weeks away

from being completed. Such snafus raised concerns about whether Japan had learned any lessons following the Great Hanshin Earthquake of 1995, when more than 6,000 people died, highways were toppled, and bureaucratic delays kept soldiers, supplies and rescue dogs from reaching the region. As the week wore on, Tokyo's residents turned edgy, openly wondering if the Big One was imminent. And as they

watched TV scenes and read newspaper accounts of the havoc wrought upon the relatively unpopulated Niigata, they questioned whether their city was, or ever could be, truly prepared.

—By Jim Frederick/
Tokyo. With reporting by Hanna
Kite/Niigata

SHOCK AND AWE

SEVENTY-SIX-YEAR-OLD Tatsukichi Yamada, his wife, son and grandson are living in a tent city outside the high school in Tokamachi, a small tourist town in Japan's northwest Niigata prefecture. They're all wearing five layers of clothing to keep warm and have no idea when it might be safe to return to their home. "They say there might be another big one within a week," says Yamada. "I can't go home. I want to take a bath."

The Yamadas were among more than 100,000 people made temporarily homeless last week in the aftermath of Japan's worst earthquake in nearly a decade—which was followed, four days later, by an almost equally strong

aftershock. The back-to-back temblors left 36 dead and 2,400 wounded—and that's after a summer of havoc caused by 10 typhoons, including last month's Tokage, the roughest in 25 years. Seventeen-year-old Ryutaro Isobe was forced to live in an elementary-school gym in nearby Horinouchi, while his mother and two younger brothers camped out in the family car. He said the stress from the quakes was starting to take its toll on people, especially adults. "The older people are fighting a lot more now."



NUMBERS

142 Number of U.S. newspapers that have endorsed Democratic presidential candidate John Kerry, including the *New York Times* and *Washington Post*, compared with 123 endorsements for George W. Bush

\$25 million

Bounty offered by the U.S. for the capture of Jordanian militant Abu Mousab al-Zarqawi, the same amount offered for Osama bin Laden



25% Portion of Indian parliamentarians facing criminal charges, including murder, extortion and rape, according to the Bangalore-based watchdog Public Affairs Centre

3 Number of foreign U.N. election workers kidnapped last week—in broad daylight—in Kabul, the first foreigners to be abducted in Afghanistan

\$30 billion Revenue from opium production in Afghanistan so far this year. 95% of the heroin used in Europe comes from Afghanistan

\$7 Daily wage for an opium laborer in Afghanistan, twice the average pay for an unskilled worker in the country



Sources: Washington Post; New York Times; Reuters; BBC

Dinosaurs for Creationists

THE NEW MUSEUM OF EARTH History that opened last week in Eureka Springs, Arkansas, isn't nearly as big as more famous natural history museums in Chicago, Washington and New York City; in fact, the whole thing would probably fit neatly inside one of their exhibition halls. And its nine replicas of dinosaur skeletons and skulls don't quite measure up to the rich fossil collections on display elsewhere.

But it's got something the others don't: an account of Earth's history that hews to the most literal version of biblical creationism. Nestled close to the 20-m-tall Christ of the Ozarks statue, the museum is the latest addition to a theological theme park established almost four decades ago by the late Gerald L. K. Smith, a right-wing zealot and notorious anti-Semite. So if you come here,



Getting a new view of dinos in Arkansas

you will walk through exhibits depicting Eden and the Tower of Babel and learn that all life on Earth was created at one stroke about 6,000 years ago (no mention of evolution), that dinosaurs and humans walked the earth at the same time, and that the terrible lizards perished under human pressure and habitat loss.

Scientists, naturally, won't be rushing for a visit. William Etges, an evolutionary biologist at the nearby University of Arkansas at Fayetteville, dismisses the museum's version of history as "utterly irrelevant

to what we actually know and understand about our world." But the museum's president, G. Thomas Sharp, whose doctorate in the philosophy of religion and science was awarded by a Florida seminary, says the exhibit is intended to counter a lamentable shift in public education to what he calls "a very secular, pagan base," arguing that "the biblical explanation to earth science is very feasible and very satisfying." At least for some people: the museum expects from 35,000 to 50,000 visitors a year. —By Steve Barnes

STICKY SITUATION

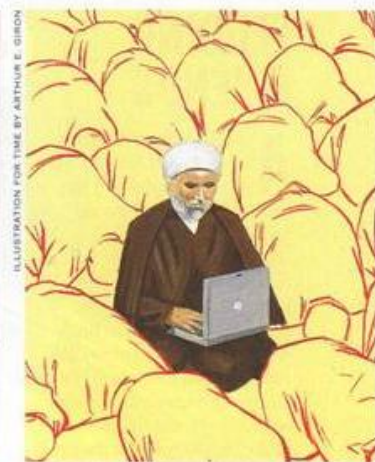
Gum control is popping up high on the priority list of a growing number of cities around the world fed up with the gunk on their sidewalks. Last week in England, Liverpool City Council called for a citywide tax on every pack sold to help cover the huge costs of cleanup. "We are not prepared to stand by and let [Liverpool] be disfigured by the inconsiderate actions of a minority," said council leader Mike Storey. In London, representatives from Belfast, Cardiff and other British cities gathered in February for a summit on

gum pollution. London's Oxford Street alone is smeared with 300,000 bits of used gum; cleanup costs Britain an estimated \$290 million a year. A new bill in Parliament would fine gum droppers \$145.

In Toronto, public complaints led

the city to measure gum goop last year for the first time. In the 2004 litter audit, 2,000 pieces of gum dotted one typical stretch of sidewalk, compared with just 200 pieces of other litter. In response, the city is trying out trash cans that let users toss in gum without having to touch the dirty bin.

U.S. researchers are working on scientific solutions. Graciela Padua, a food scientist at the University of Illinois, has developed a biodegradable gum made of zein, a corn derivative. It's costly to make but doesn't stick to surfaces. And its flavor? "It tastes plain," Padua admits, "but you can blow big bubbles." —By Jeremy Caplan



BLOG WATCH

There's at least one place in Iran where citizens dare to speak their minds. It is referred to as Weblogistan, and in this rapidly expanding virtual terrain—with an estimated 100,000 active Iranian weblogs, Persian ties with French as the second most used language in the blogosphere—Iranians generally use pseudonyms to discuss taboo topics and criticize the government in a way no other news outlet allows. Even some high-profile politicians have joined in, such as President Mohammed Khatami's former Vice President, Mohammed Ali Abtahi, who offers candid insights into the Iranian government on his blog, accompanied by photos taken with his cell phone.

But crackdowns are always looming. More than 20 online activists were detained last year for several weeks and beaten for antigovernment criticism. In response, dozens of blogs have sprung up offering instructions on how to remain anonymous and circumvent government filters. With the June presidential elections approaching, some bloggers are campaigning for a boycott, while others support reformist candidates and argue for participation. "Weblogs are one weapon," says a blogger known as Saena, "that even the Islamic republic cannot beat." —By Nahid Siamdoust